Financial Analysis

of the

"Housing Act of 2002"

Prepared for:

Office of the Deputy Mayor for Planning & Economic Development
District of Columbia

May 29, 2002

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EXECUTIVE SUMMARY

In the Spring of 2001, Mayor Anthony A. Williams submitted the "Housing Act of 2002" to the Council of the District of Columbia, and on April 19, 2002 it became law. The law includes 10 major initiatives aimed at improving housing and neighborhood conditions across the city. The Act provides incentives or funding that will, over the next 10 years,

- build or rehabilitate 7,512 affordable housing units,
- preserve 5,173 existing affordable units,
- keep 174 to 522 low-income homeowners in their homes,
- reinvest in Enterprise Zones and neighborhoods impacted by abandoned and deteriorated housing,
- assist 3,464 lower-income households to buy houses,
- preserve and rehabilitate 344 historic units in targeted historic districts, and
- construct 6,801 units of new multi-family housing across the city, with particular emphasis on Downtown and the area North of Massachusetts Avenue. These initiatives are intended to attract more middle-income households to the city to support local businesses and pay taxes that fund District services.

Costs and Revenues

The Act will have a net impact of generating $95.5 million in new revenue (in current year dollars) over the next 10 years, discounted at the District's cost of money (4.5 percent) to 2002. The cost over 10 years is $222.7 million in current year dollars, with $62.1 million in the first four years.

The new housing constructed and the new households attracted to the city will generate revenues that more than offset the 10-year costs. Households new to the District will pay property, income and sales taxes. Building permits, recordation taxes and real estate transfer taxes will generate additional revenues for the District. Over the 10-year period, the District will receive $350.8 million in revenues from new households brought to the District by the housing incentives provided in this Act, yielding net revenues of $128.1 million.

The impact on the District budget depends a great deal on the share of the households in new and rehabbed housing made possible by this legislation that are new to the District. The base case, referred to as "medium" in the report tables, will yield revenues in excess of direct costs with a 2002 net present value of $95.5 million. To test the sensitivity of the results to the share of new households, this analysis has calculated the Act's impact based on different estimates of new households coming to the District in response to the Act's housing incentives. Varying by Title of the Act, the share of households new to the city ranges from 20 to 65 percent.

In the worst case with a low share of households new to the District, the net present value of revenues could be as low as $45.3 million. Under the best case with a higher share of households coming from outside the city, the net present value could reach as high as $145.0 million.

Total Net Impact to the Proposed Budget by Cost and Revenue		
	4-Year Total FY 2002-2005	10-Year Total FY 2002-2011
	(In Thousands of Inflated Dollars)	
Foregone Revenues	$ (61,755)	$ (221,878)
Expenditures	(302)	(852)
Total Costs	$ (62,057)	$ (222,730)
New Revenues		
Real Property Taxes	$ 1,890	$ 26,488
Income Taxes	42,889	240,558
Sales Taxes	5,969	23,885
Utility Taxes	1,199	7,320
Building Permit Fees	18,913	25,053
Transfer Taxes	3,254	8,866
Recordation Taxes	11,940	18,667
Total New Revenues	$ 86,054	$ 350,837
Total General Fund Revenue/(Cost)	**$ 23,997**	**$ 128,107**
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of Households New to the District		
Low (10%-50% New Households)		**$45,278**
Medium (20%-65% New Households)		**$95,528**
High (30%-80% New Households)		**$144,984**

Taken by individual Title of the Act, the greatest net cost is for tax credits protecting low-income, long-term homeowners and for the Housing Production Trust Fund. The Title IV protections, which keep very-low-income homeowners who have lived in their homes for at least seven years from paying property taxes more than 5.0 percent higher than their previous year's taxes, have a net cost of $9.1 million over the next 10 fiscal years. The dedicated funding for the Housing Production Trust Fund (Title V) will cost the General Fund $109.9 million more than it will generate in new tax revenues. However, tax abatements for new multi-family housing, primarily in Downtown and the North of Massachusetts Avenue area, will bring large numbers of new residents to the city whose taxes will more than offset the cost of the abated taxes.

Total Net Impact to the Proposed Budget by Title			
Title	Description	4-Year Total FY 2002-2005	10-Year Total FY 2002-2011
		(In Thousands of Inflated Dollars)	
I	Due Process Demolition	$ 154	$ 754
II	Notice of Subsidy Expirations	149	(2,415)
III	Historic Housing Tax Credit	(2,858)	841
IV	Low-Income Homeowner Protection	(2,454)	(9,118)
V	Housing Production Trust Fund	(45,297)	(109,875)
VI	New Residential Tax Abatement	56,510	188,330
VII	Enterprise Zone Homebuyers	15,947	39,169
VIII	Modifications to Homestead Program	263	1,987
IX	Employer-Assisted Purchase	1,583	18,434
X	Acquisition & Disposal	-	-
	Total General Fund Revenue/(Cost)	**$ 23,997**	**$ 128,107**

Distribution of Housing Benefits

Of the 23,600 households benefiting directly from this legislation, 19 percent will be households with extremely low incomes (at or below 30 percent of the Area Median Income, or AMI), and 37 percent will have very low incomes (between 30 and 50 percent of AMI). Low-income households (those with incomes between 50 and 80 percent of AMI) will represent 23 percent of the total households. Tax abatement for new housing in Downtown and the North of Massachusetts Avenue (NoMa) area, historic preservation tax credits and enterprise zone homebuyer tax abatement provisions will attract 3,331 new middle-income households (those with incomes between 81 and 120 percent of AMI). An additional 1,689 market-rate units developed in Downtown and the NoMa area will be occupied by households with higher incomes.

The Act directs the majority of the District's subsidies, calculated as General Fund expenditures or foregone taxes, to extremely-low-, very-low- and low-income households. Twenty-eight percent of the subsidies for housing assistance are directed toward households with incomes at or below 30 percent of income with another 29 percent directed to very-low-income households with incomes between 31 and 50 percent of the area median family income. The subsidies directed to middle- and higher-income households will be more than repaid by the income, sales and property taxes paid by these new residents.

Households Served						
	10-Year Total	Percent of Total	10-Year Cost ** (000s)	Percent of 10-Year Cost	10-Year Cost per Household	Net (Cost)/ Revenue per Household
Total Households Served						
Extremely-Low-Income (<30% of AMI*)	4,560	19%	$ 58,831	26%	$ 12,902	$ 1,198
Very-Low-Income (31%-50% of AMI)	8,654	37%	$ 72,352	32%	$ 8,361	$ 1,077
Low-Income (51%-80% of AMI)	5,359	23%	$ 58,742	26%	$ 10,961	$ 6,134
Middle-Income (81%-120% of AMI)	3,331	14%	$ 21,953	10%	$ 6,591	$ 33,072
Higher-Income (>120% of AMI)	1,689	7%	$ 10,855	5%	$ 6,427	$ 47,465
Total	23,593	100%	$222,733	100%	$ 9,441	$ 5,430
Households in New or Rehabilitated Housing Units						
Extremely-Low-Income (<30% of AMI*)	1,143	10%	$ 45,769	28%	$ 40,043	$ 3,754
Very-Low-Income (31%-50% of AMI)	1,629	15%	$ 48,569	29%	$ 29,815	$ 5,508
Low-Income (51%-80% of AMI)	3,228	30%	$ 40,322	24%	$ 12,491	$ 5,815
Middle-Income (81%-120% of AMI)	3,231	30%	$ 20,903	13%	$ 6,470	$ 26,758
Higher-Income (>120% of AMI)	1,689	15%	$ 10,855	7%	$ 6,427	$ 47,465
Total	10,920	100%	$166,418	100%	$ 15,240	$ 7,438

*AMI is the Metropolitan Area's Median Family Income.
**Includes foregone taxes and direct expenditures. Excludes revenues that offset these costs.

Other Benefits

Over the 10-year projection period, the Act's provisions will create more than 8,700 one-year construction jobs, an average of 871 construction jobs per year. Economic multipliers estimated by the U.S. Bureau of Economic Analysis indicate that those construction jobs will support an additional 208 spin-off jobs in other businesses throughout the District economy annually.

Assumptions

The benefits analysis is conservative in that it includes only direct taxes (property, income, sales and utility taxes) paid by the residents of housing created or rehabilitated under this Act. While a key rationale for the Mayor's housing initiative is the need to strengthen neighborhoods currently hampered by vacant and deteriorated units or lack of reinvestment, the impact estimates do not include the resulting improvement in the value of surrounding properties, enhanced sales by retailers located in revitalized neighborhoods or reduced vacancies in nearby properties. This report analyzes the impacts of the Act as enacted, assuming full funding.

While new households bring with them an increase in demand for public services, existing staff can meet many of their service needs. This analysis includes no cost projections for public schools or District departments that could experience increased costs as a result of a population increase. Some of the new property, income and sales tax revenues will need to be devoted to such costs.

INTRODUCTION

The Council of the District of Columbia has enacted the "Housing Act of 2002" introduced by Mayor Anthony A. Williams. This housing initiative encourages development of new housing, protects existing affordable housing, promotes rehabilitation of vacant and deteriorated units, assists new homebuyers and reduces displacement of long-term homeowners. The Act includes 10 programs and/or revisions to existing programs as follows:

Title	**Description**
I	Acquisition and Disposal of Abandoned and Deteriorated Properties; Due Process Demolition
II	Preservation and Rehabilitation of Government-Supported Housing Accommodations; Tenant Assistance
III	Targeted Historic Housing Tax Credit
IV	Low-Income, Long-Term Homeowners Protection
V	Modification of the Housing Production Trust Fund
VI	Tax Abatement for New Residential Developments
VII	Tax Abatement for Eligible Homeowners in Enterprise Zones
VIII	Modifications to the Homestead Housing Preservation Program
IX	District Matching Funds for Employer-Assisted Home Purchase Programs
X	Homeownership Counseling Program

Bay Area Economics (BAE) was hired by the Office of the Deputy Mayor for Planning & Economic Development to prepare a detailed fiscal impact analysis that considers not only the direct costs of implementing the Act but also the "return" on the District's investment in new housing – the taxes generated by new construction and new residents living in the city. BAE was asked to describe the impact of the Act on low-income households as well.

METHODOLOGY AND APPROACH

The analysis focuses on the change in tax revenues and costs from those in the *Fiscal Year 2002 Proposed Budget and Financial Plan*, dated June 4, 2001. Only changes to the General Fund are considered. Costs and revenues are projected for 10 years and then discounted to a single figure equal to the net present value of those future costs and revenues. Net present value represents how much an investor would be willing to pay today for income received in future years. Reflecting the District's cost of money (the interest rate on 10-year bonds), the discount rate is set at 4.5 percent.

In estimating the potential costs to the District of foregone taxes, BAE first considered any mandated caps on expenditures and the market potential for reaching those caps. Consultation with the relevant District departments formed the basis for estimating direct expenditures for staff and other costs.

Offsetting revenues include real property taxes not subject to abatement, income and sales taxes paid by new residents, and utility taxes for new units. Also included are one-time revenues from building permit fees and transfer and recordation taxes as well as sales taxes on construction materials and income and sales taxes paid by construction workers. Income and sales taxes include only those paid by new District residents, not the taxes of current District residents who move from one house to another within the city. Household income estimates reflect the income eligibility guidelines for affordable units or, for units not explicitly earmarked for low- or moderate-income residents, the income required to afford the likely cost of the unit.

The District has established income classifications based on the median family income for the metropolitan area as determined by the U.S. Department of Housing and Urban Development (HUD). Following are the income limits for the District for Fiscal Year 2002. These income limits restrict participation under several of the Titles of the proposed legislation. The limits are calculated as a straight percentage of income, so they differ somewhat from HUD's income targets, which are adjusted according to a formula that reflects national housing market conditions.

Household Income Limits, Fiscal Year 2002

	Persons in the Household					
Income Category	**1**	**2**	**3**	**4**	**5**	**6**
30 Percent of AMI*	$19,220	$21,960	$24,710	$27,450	$30,200	$32,940
50 Percent of AMI	$32,030	$36,600	$41,180	$45,750	$50,330	$54,900
60 Percent of AMI	$38,430	$43,920	$49,410	$54,900	$60,390	$65,880
80 Percent of AMI	$51,240	$58,560	$65,880	$73,200	$80,520	$87,840
100 Percent of AMI	$64,050	$73,200	$82,350	$91,500	$100,650	$109,800
120 Percent of AMI	$76,860	$87,840	$98,820	$109,800	$120,780	$131,760

*AMI is the Washington, DC-VA-MD Metropolitan Area Median Family Income

This analysis includes no cost projections for District services required as a result of the new housing developed. While new households bring with them an increase in demand for public services, many departments' existing staff can meet many of their service needs. For example, the Metropolitan Police Department is unlikely to need additional police officers due to new occupancy of formerly vacant properties; in fact, occupied properties require less police attention than vacant houses being used for criminal activities. This analysis includes no cost projections for public schools or District departments that could experience increased costs as a result of a population increase, but some of the new property, income and sales tax revenues will need to be devoted to such costs.

The benefits analysis is conservative in that it includes only direct taxes (property, income, sales and utility taxes) paid by the residents of housing created or rehabilitated under this Act. While a key rationale for the Mayor's housing initiative is the need to strengthen neighborhoods currently hampered by vacant and deteriorated units or lack of reinvestment, the impact estimates do not include the resulting improvement in the value of surrounding properties, enhanced sales by retailers located in revitalized neighborhoods or reduced vacancies in nearby properties.

The District's tax structure and tax rates are assumed to remain the same over the 10-year projection period. The analysis reflects the structural lag between the construction of a new housing unit, when it is assessed and when the property taxes are actually received by the District. The District assesses properties that are at least 65-percent complete as of January 1 with tax bills sent by March 1 of the following year with taxes due on April 1 and September 1.

All costs and revenues are shown in nominal, inflated dollars to correspond with the budget projections.

Assumptions

Due to the uncertainty inherent in predicting the percentage of new households among all the households in new and rehabbed housing made possible by this legislation, BAE has calculated the Act's impact based on different estimates of new households coming to the District in response to the Act's housing incentives (shown as Low, Medium and High). The analysis assumes that under Titles I and VIII, 20 to 40 percent of the households in primarily distressed neighborhoods will be new to the District, because these titles impact neighborhoods where the market allows housing to be abandoned, and such neighborhoods are less able to attract new residents from outside the city. Titles III and VII will attract lower numbers of new residents to the city – only 10 to 30 percent of the beneficiaries under these titles will be new to the District – because these titles specifically favor existing and long-term homeowners. For Titles IV, V and VI, which operate citywide, however, the percentage of new households is 30 to 60 percent, with new market-rate units in Downtown and NoMa attracting 50 to 80 percent new residents. The percentages of new households for the three alternatives are as follows:

Percent of Households New to the District by Scenario

		Alternative Scenario		
Title	**Description**	**Low**	**Medium**	**High**
I	Due Process Demolition	20%	30%	40%
II	Low-Income Housing Preservation	0%	0%	0%
III	Historic Housing Tax Credit	20%	30%	40%
IV	Low-Income Homeowner Protection	30%	45%	60%
V	Housing Production Trust Fund	30%	45%	60%
	HFA-Assisted Homebuyers	10%	15%	20%
VI	New Residential Tax Abatement			
	Downtown	50%	65%	80%
	North of Massachusetts	50%	65%	80%
	Higher-Cost Areas	30%	45%	60%
VII	Enterprise Zone Homeowners	10%	20%	30%
VIII	Modifications to Homestead Program	20%	30%	40%
IX	Employer-Assisted Purchase	100%	100%	100%
IX	Homeownership Counseling	NA	NA	NA

The analysis assumes that the households served are at the upper end of the income limitations provided for the various provisions. It also assumes that the income of families receiving housing benefits will remain stable over the 10-year analysis period.

One-time revenues during the development period include building permit fees, sales taxes on construction materials, income and sales taxes paid by construction employees, and real estate transfer and deed recordation taxes. Per-unit construction costs are subject to an assumed 3.0-percent annual inflation. Construction expenditures are split roughly 50-50 between materials and labor. For new construction projects, this analysis assumes that 10 percent of construction materials are purchased from District vendors with 20 percent purchased locally for rehabilitation projects. The average construction worker employed for one full year earns $40,000 in wages and salaries, costing a total of $50,000 once fringe benefits are included. The constructionrelated tax projections assume that 30 percent of construction workers live in the city with non-resident workers spending an average of $4.00 per day with District retailers.

TITLE I: ACQUISITION AND DISPOSAL OF ABANDONED AND DETERIORATED PROPERTIES; DUE PROCESS DEMOLITION

The Abatement and Condemnation of Nuisance Properties Omnibus Amendment Act of 2000 provided important tools for addressing the problem of vacant and deteriorated units. Title I of the Housing Act of 2002 provides an expedited process for demolishing or barricading structures that meet the original Act's criteria.

The process involves inspection by the Department of Consumer and Regulatory Affairs (DCRA) to determine if there are violations of the District's Construction or Housing Code. The Department of Housing and Community Development (DHCD) must prepare a study of the feasibility of rehabilitating the building, and the Historic Preservation Review Board must determine whether the structure is a potential historic structure. DCRA is authorized to demolish or enclose the property within 180 days of providing notice to interested parties. In some cases, DCRA will rehabilitate the unit to bring it into compliance with District codes. The District government then places a tax lien against the property for its cost of demolition or enclosure. That lien carries an 18-percent interest rate, and a tax sale can be held if the lien is not satisfied within two years. The Mayor can dispose of acquired properties through a competitive process or negotiated sale. In transferring the property, the Mayor can forgive up to one-half of outstanding taxes owed on the property if sold to a low-income household or developed for affordable rentals.

Vacant properties now are required to be maintained in compliance with the District's Housing Code. That provision, coupled with the 18-percent interest on the District's liens, should encourage more rapid rehabilitation of deteriorated units. During the last year the owners of 30 percent of the units targeted by DCRA rehabilitated the units so that they could avoid the higher costs of DCRA action.

The Administrator of DCRA's Housing Regulation Administration estimates that the District has roughly 1,500 vacant and deteriorated structures following extensive demolition over the past three years.

Title I also empowers the Mayor to acquire abandoned and deteriorated properties through eminent domain, gift or donation, assignment or voluntary sale by the owner. Those properties can then be sold, transferred or otherwise disposed following a public hearing on the proposed terms and conditions of the disposition. The Mayor has discretion to dispose of the properties through negotiated or public sale at or below fair market value or to use the Homestead Housing Preservation Act. Any occupants, tenants or lessees displaced as a result of the property acquisition are provided relocation preference and assistance.

Costs. DCRA's demolition and barricading activity is funded through the District's Capital Budget. The Capital Improvement Plan includes $8.6 million in Fiscal Years (FY) 2002 and 2003. That funding level is sufficient to support the anticipated activity level of 500 units per year demolished or enclosed. Based on an average demolition cost of $17,500 per unit and an average enclosure cost of $1,900, this program should require roughly $2.1 million per year. This provision of the Act will have no impact on the General Fund Budget, except the loss of property taxes currently being paid on units that are demolished by DCRA. (One-half of the units are assumed to be tax-delinquent.) The Department has standing contracts with large and small contractors to conduct the actual demolition or barricading, so no additional staffing is required.

Title I confers "quick-take" powers on the Mayor but does not require that those new powers be used. Use of the new powers as part of a neighborhood conservation and revitalization strategy will be subject to the Council's traditional budgetary oversight. Therefore, this analysis does not include the costs of using "quick-take" powers.

Revenues. Over the next three years, an estimated 500 units per year will be demolished or enclosed to deal with the estimated 1,500 vacant and deteriorated units. Thereafter, this analysis assumes that program activity scales back to 200 units per year. Recent experience suggests that 15 percent of the units will be demolished and 85 percent will be barricaded.

Because this Title does not provide for the construction of new housing on the demolished sites or the rehabilitation of enclosed units, the projections of future tax revenues do not include any revenues from households occupying new or rehabilitated housing on the sites.

The requirement that vacant housing units meet the Housing Code and the District's authority to attach a lien with 18-percent interest to houses that it barricades are likely to accelerate rehabilitation of these units for new occupancy. This analysis assumes that 20 percent of the barricaded units will be occupied within three years with an additional 20 percent occupied within four years of DCRA action. Over the 10-year period, 816 units enclosed by DCRA under this Act will be rehabilitated and re-occupied. However, the Abatement and Condemnation of Nuisance Properties Omnibus Amendment Act of 2000 provided the tools to enclose and then rehabilitate these units rather than the Title I provisions of this Act.

The expedited process created in Title I will streamline the demolition and barricading of vacant properties, thereby accelerating their reuse and the resulting flow of income and sales taxes from the households occupying those units. Assuming that the process will accelerate housing reuse by six months over the existing process, the revenue impact is an additional six months' worth of tax payments by those households. This analysis is conservative in that it does not include additional revenues from repayment of outstanding tax liens.

Each rehabilitation will involve an investment of $30,000, increasing the average unit assessed value from $60,000 to $90,000. Also, the District will receive property taxes from those properties that were previously delinquent, assumed to be one-half of the units enclosed by DCRA. Adjustments to future property tax revenues reflect the availability of five-year tax abatement for lower-income households.

With 95-percent occupancy, the rehabilitated units will accommodate a total of 161 households per year in the three initial years and then 65 households per year thereafter. Of those households, the medium-level scenario assumes that 30 percent are new to the District rather than households moving from elsewhere in the city. The average income of those new households is estimated at $45,000. This analysis assumes that one-third of the new residents are owners with the rest renters.

With formerly enclosed units rehabilitated and occupied by Fiscal Year 2004, real property taxes will begin to flow to the District's budget by Fiscal Year 2006. Incremental real property taxes resulting from occupancy of rehabbed units six months earlier than would have been possible under existing legislation will start at $23,000 per year in FY 2006.

Net Impact. Overall, the Title I Due Process Demolition provisions will yield new General Fund revenues with a net present value of $0.6 million, discounted at 4.5 percent, assuming a medium level of households new to the District. Depending on the attraction of new households to the city, net new revenues could range from $0.4 to $0.7 million in net present value terms.

Title I: Due Process Demolition

Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ (5)	$ (5)	$ (5)	$ (2)	$ (2)	$ (2)	$ (2)	$ (2)	$ (2)	$ (27)
New Expenditures*	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Revenues											
Real Property Taxes	$ -	$ -	$ -	$ -	$ 23	$ 48	$ 50	$ 36	$ 21	$ 22	$ 200
Income Taxes	-	-	41	86	87	64	37	40	39	42	436
Sales Taxes	-	-	5	10	10	7	4	5	5	5	51
Utility Taxes	-	-	9	18	19	14	8	8	9	9	94
Building Permit Fees	-	-	-	-	-	-	-	-	-	-	-
Transfer Taxes	-	-	-	-	-	-	-	-	-	-	-
Recordation Taxes	-	-	-	-	-	-	-	-	-	-	-
Total New Revenues	$ -	$ -	$ 55	$ 114	$ 139	$ 133	$ 99	$ 89	$ 74	$ 78	$ 781
Total Net Revenue/(Cost)	$ -	$ (5)	$ 50	$ 109	$ 137	$ 131	$ 97	$ 87	$ 72	$ 76	$ 754
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$ 445**										
Medium	**$ 571**										
High	**$ 695**										
Households New to DC											
Low (20%)	-	-	-	-	-	-	-	-	-	-	-
Medium (30%)	-	-	-	-	-	-	-	-	-	-	-
High (40%)	-	-	-	-	-	-	-	-	-	-	-
Units Built/Rehabilitated	-	-	-	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	-	-	-	-	-	-

*Costs are covered by the Capital Budget.

TITLE II: PRESERVATION AND REHABILITATION OF GOVERNMENT-SUPPORTED HOUSING ACCOMMODATIONS; TENANT ASSISTANCE

Title II requires owners of federally-subsidized low-income housing developments to notify the Mayor and the tenants in writing at least one year prior to "opting out" of a long-term subsidy contract. The subsidy programs included under this provision include Section 8 new construction, substantial rehabilitation and moderate rehabilitation; Section 202; Section 811; and other similar programs.

This timeframe will provide the District with enough time to pursue opportunities to preserve that development as affordable housing, such as attracting a new purchaser willing to renew the subsidy contract or helping the existing owner with rehabilitation funding tied to subsidy contract renewal. The Act gives the District a first right to purchase Section 8 properties. The Mayor can assign that right to a person with the capacity to purchase, redevelop and operate the housing and who commits to maintain affordable rents for 30 years. The owner must comply with the Cooperative Association Act, the Condominium Act and the Rental Housing Conversion and Sale Act prior to conversion to condominiums, a cooperative or another non-participating use.

Tenants are issued "sticky vouchers" under the Section 8 program that provide the landlord a subsidy as long as the existing tenants remain in their units and are not replaced by market-rate tenants. The Act authorizes the District to provide tenant relocation services and assistance payments of up to $500 per tenant if the property owner no longer participates in the Federal assistance program.

In qualified areas where average apartment rents exceed the fair market rent by at least 25 percent, property taxes may be abated for Section 8 housing developments and other rental developments serving low-income tenants that extend their subsidy contracts or improve their units.

A five-year extension of the development's subsidy contract qualifies it for a 75-percent abatement of real property taxes for five years, and a 10-year extension triggers a 100-percent abatement for 10 years. Section 8 and other affordable housing properties with new improvements of at least $10,000 per unit can claim a 100-percent abatement for five years if they maintain at least 25 percent of their units at rents affordable to very-low-income households with incomes of not more than 50 percent of the Washington D.C. Metropolitan Area's Median Family Income (AMI), as determined by the U.S. Department of Housing and Urban Development (HUD). For a family of four, 50 percent of AMI in Fiscal Year 2002 equals $45,750; for a family of two, the income limit is $36,600. The Act caps the cumulative amount of abatements at $1.0 million for any fiscal year.

Costs. Since 1996, 35 subsidized housing developments have opted out, had preservation pay-offs or foreclosures/involuntary terminations from Federal assistance programs. These actions created a loss of 2,434 subsidized units. From now through 2005, an additional 3,018 subsidized units are in danger of opting out of their subsidy contracts. This analysis assumes that one-half will opt out of the subsidy programs, resulting in the potential loss of 1,509 units. Failure to preserve these units as affordable housing could impose significant future costs on the District. Owners typically receive $6,000 per unit per year in Federal subsidy, a major resource for affordable housing in the city that needs to be preserved.

This analysis assumes that 25 percent of the tenants of these units will move rather than use enhanced vouchers to remain in place. They will be eligible for up to $500 in relocation assistance under Title II, resulting in a potential cost of $35,000 in FY 2002, increasing to $60,000 by FY 2005. This may overestimate the potential costs to the District if the Title V Housing Preservation Trust Fund monies are used to purchase units rather than allowing their developers to opt out.

Of the developments not opting out, only those in higher-rent portions of the city will be eligible for tax abatements. This analysis assumes that projects with one-quarter of the units not opting out will elect to seek tax abatement – one-half seeking five-year abatement and one-half seeking 10-year abatement.

The Federally-assisted housing developments eligible to opt out have an average assessed value of $40,000 per unit, paying an estimated $384 per unit in annual real property taxes. The tax abatements for these units will cost $25,000 in FY 2003, increasing to $359,000 by FY 2011.

The Act authorizes tax abatements for assisted housing developments that invest at least $10,000 per unit. Assuming that 200 units per year receive improvements averaging $25,000 each, the abated taxes will total $53,400 in FY 2003, increasing to $354,400 by FY 2011.

Overall, the foregone taxes will total $3.7 million during the FY 2002 to FY 2011 period for a total General Fund cost of $5.8 million.

Units Constructed or Rehabilitated and Households Attracted

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Units Rehabilitated	-	200	200	200	200	200	200	200	200	200	1,800
Construction Costs (in millions)	$ 5.15	$ 5.31	$ 5.46	$ 5.63	$ 5.80	$ 5.97	$ 6.15	$ 6.33	$ 6.52	$ 6.72	$ 59.04
Construction Jobs	50	50	50	50	50	50	50	50	50	50	500
Households Retained	-	257	278	279	304	304	304	304	304	304	2,638
New Households											
Low	-	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-	-	-	-

Revenues. New District revenues will come from building permit fees for the improved units and from income and sales taxes paid by construction workers involved in the renovations. These revenues will total $1.9 million from FY 2002 through FY 2011.

Net Impact. Over the 10-year forecast period, Title II will cost the District $4.2 million in excess of the new revenues. This net cost has a net present value of $3.1 million. Because all of the residents are current District residents, the net cost does not vary between alternatives. In fact, the net cost to the District is significantly lower than it would be if the District had to use local funds to subsidize housing for these families.

The 2,638 households residing in the subsidized housing units preserved by Title II ware assumed to have the following distribution:

- 10 percent with extremely-low incomes less than 30 percent of AMI;

- 40 percent with very-low incomes of 30 to 50 percent of AMI; and
- 50 percent with low incomes of 50 to 80 percent of AMI.

Cumulative Households Served, Medium-Level Scenario										
	Fiscal Year									
Households Served	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Extremely-Low-Income (<30%)	-	26	54	81	112	142	173	203	233	264
Very-Low-Income (31%-50%)	-	103	214	326	447	569	690	812	934	1,055
Low-Income (51%-80%)	-	129	268	407	559	711	863	1,015	1,167	1,319
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Total	-	258	536	814	1,118	1,422	1,726	2,030	2,334	2,638

Title II: Low-Income Housing Preservation and Protections Act of 2002
Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ (25)	$ (113)	$ (209)	$ (322)	$ (444)	$ (563)	$ (613)	$ (664)	$ (714)	$ (3,666)
New Expenditures	$ (35)	$ (47)	$ (47)	$ (66)	$ (73)	$ (73)	$ (74)	$ (74)	$ (74)	$ (75)	$ (638)
New Revenues											
Real Property Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income Taxes	42	43	45	46	47	49	50	52	53	55	482
Sales Taxes	23	23	25	25	26	26	28	28	29	30	263
Utility Taxes	-	-	-	-	-	-	-	-	-	-	-
Building Permit Fees	100	103	106	109	112	116	119	123	126	130	1,144
Transfer Taxes	-	-	-	-	-	-	-	-	-	-	-
Recordation Taxes	-	-	-	-	-	-	-	-	-	-	-
Total New Revenues	$ 165	$ 169	$ 176	$ 180	$ 185	$ 191	$ 197	$ 203	$ 208	$ 215	$ 1,889
Total Net Revenue/(Cost)	$ 130	$ 97	$ 16	$ (95)	$ (210)	$ (326)	$ (440)	$ (484)	$ (530)	$ (574)	$ (2,415)
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$ (1,660)**										
Medium	**$ (1,660)**										
High	**$ (1,660)**										
Households Retained											
Low	-	257	278	279	304	304	304	304	304	304	2,638
Medium	-	257	278	279	304	304	304	304	304	304	2,638
High	-	257	278	279	304	304	304	304	304	304	2,638
New Housing Units	-	-	-	-	-	-	-	-	-	-	-
Rehabilitated Units	-	200	200	200	200	200	200	200	200	200	1,800
Jobs	50	50	50	50	50	50	50	50	50	50	500

TITLE III: TARGETED HISTORIC HOUSING TAX CREDIT

Title III provides a tax credit to homeowners who substantially rehabilitate historic homes in the following historic districts:

- LeDroit Park;
- Mount Vernon Square;
- Blagden Alley/Naylor Court;
- Shaw;
- Anacostia;
- Greater U Street, N.W.;
- Greater 14th Street, N.W.;
- Mount Pleasant;
- Capitol Hill; or
- Takoma Park.

The historic housing tax credit is a credit against the homeowner's District income taxes equal to 20 to 50 percent of qualified rehabilitation expenditures, capped at $25,000 in any 60-month period. Qualified rehabilitation expenditures are non-acquisition capital costs of rehabilitation and must include at least five percent dedicated to exterior improvements. The rehabilitation must comply with the U.S. Secretary of the Interior's Standards for Rehabilitation. To qualify, a homeowner must have an income of less than 120 percent of AMI. For a family of four, 120 percent of AMI in FY 2002 equals $109,800; for a family of two, the income limit is $87,840. A homeowner must spend at least $5,000 within 24 months to be eligible for the tax credit.

The amount of the credit depends on the homeowner's income and whether the homeowner has lived in the unit for five years or more, as follows:

	Lived in Unit	
Income	**Less Than Five Years**	**Five or More Years**
60% or less of AMI	30%	35%
60%-120% of AMI	20%	25%

The credit increases by 15 percentage points in the Anacostia Historic District. For a family of four, 60 percent of AMI equals $54,900.

If the tax credit exceeds the homeowner's income tax liability, the excess may be refunded to the taxpayer or carried forward for up to five tax years. The homeowner may sell or transfer the credits to investors, enabling participation by nonprofit corporations. The taxpayer must reside in the historic structure for at least five years after claiming the credit or the credit will be subject to recapture.

Because Federal tax law treats the tax credit as taxable income for Federal tax purposes, the net value of the credit to the homeowner is somewhat less than the 20 to 50 percent of qualified rehabilitation costs.

The legislation caps the tax credits at $1,250,000 per year for Fiscal Year 2003 through Fiscal Year 2006. Credits will be pre-approved, probably on a first-come, first-served basis.

Rehabilitation of a historic building with more than 100 apartments that includes replacement of all building systems qualifies as new construction for the purpose of building permit fees.

Costs. The demand for historic preservation tax credit will likely outstrip the amount allowed under the Act, so annual costs will equal the legislated cap of $1,250,000 per year for FY 2003 through FY 2006 for a total of $5.0 million. Because the credits in excess of the homeowner's income tax liability are refundable, each year's credits will be claimed in the year in which the improvements are completed and certified.

The Historic Preservation Office within the Office of Planning is responsible for certifying that rehabilitations are in compliance with the Secretary of the Interior's standards. The Office currently reviews roughly 75 to 100 rehabilitations per year for Federal historic preservation tax credits. The Office would need to hire one new full-time staff person to handle the workload from this program as well as the new demolition by neglect program. The proposed caps would fund an estimated 89 rehabilitations (see below); an average of 89 new reviews annually would require roughly 40 percent of the full-time staff person's time. This analysis assumes that person will be hired at a Grade 13, Step 5 level.

Revenues. The $1,250,000 in annual tax credits will cover several houses requiring different levels of rehabilitation. To estimate the number of units rehabilitated and therefore the number of households affected, this analysis first assumes the following illustrative distribution of participating homeowners:

- 5 percent – Anacostia Historic District long-term homeowners with incomes below 60 percent of AMI;
- 2 percent – Anacostia Historic District shorter-term homeowners with incomes below 60 percent of AMI;
- 8 percent – Anacostia Historic District long-term homeowners with incomes of 60 to 120 percent of AMI;
- 5 percent – Anacostia Historic District shorter-term homeowners with incomes of 60 to 120 percent of AMI;
- 10 percent – long-term homeowners in other historic districts with incomes below 60 percent of AMI;
- 10 percent – shorter-term homeowners in other historic districts with incomes below 60 percent of AMI;
- 40 percent – long-term homeowners in other historic districts with incomes of 60 to 120 percent of AMI; and
- 20 percent – shorter-term homeowners in other historic districts with incomes of 60 to 120 percent of AMI.

The weighted average of these different groups yields an average tax credit of 28.85 percent.

Based on that average credit, an investment of $86,600 earn the $25,000 maximum credit allowed per household. For illustration, the credits are assumed to be spread among different levels of house improvements:

- Total rehabilitation ($86,600 expenditure) – 20 percent;
- Partial rehabilitation ($60,000 expenditure) – 35 percent;
- Modest rehabilitation ($30,000 expenditure) – 25 percent; and
- Minor improvements ($15,000 expenditure) – 20 percent.

Total rehabilitation of an historic rowhouse can involve expenditures of $200,000 or more. Many owners of historic houses may choose to upgrade their windows or kitchens with a more modest investment of $30,000. Others may choose a middle ground. Existing lower-income households may want to use the credit to help fund roof replacement or other needed maintenance.

This distribution of expenditures and corresponding tax credits suggests that 89 units would be rehabilitated in FY 2004, declining to 83 units in FY 2007 (because, with inflation, the same dollar amount of tax credits can serve fewer units each year). Because the program is intended for homeowners, 99 percent of the units should be occupied on average, yielding a total of 341 households over the five-year period. Of those households, 30 percent (102 households) are estimated to be new to the District under the medium-level alternative. The low-level alternative assumes that 20 percent (68 households) would be new to the District; 40 percent (136 households) would be new under the high-level scenario. The average household income of new households attracted to rehabilitate a historic unit is estimated at $80,000.

Units Rehabilitated and Households Attracted											
	Fiscal Year										
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
Units Rehabilitated	-	-	89	87	85	83	-	-	-	-	344
Construction Costs											
(in millions)	$ -	$ 4.33	$ 4.33	$ 4.33	$ 4.33	$ 4.33	$ 4.33	$ 4.33	$ 4.33	$ 4.33	$ 38.99
Construction Jobs	-	41	40	38	37	-	-	-	-	-	156
Households	-	-	88	86	84	83	-	-	-	-	341
Households New to DC											
Low (20%)	-	-	18	17	17	16	-	-	-	-	68
Medium (30%)	-	-	26	26	25	25	-	-	-	-	102
High (40%)	-	-	35	35	33	33	-	-	-	-	136

Rehabilitation costs do not necessarily translate dollar-for-dollar into increases in assessed value. This analysis assumes that $1 of rehabilitation expenditures translates into a $0.75 increase in assessed value. Increases in real property tax revenues would begin in FY 2006 and grow to $164,000 by FY 2011.

The units with substantial rehabilitation ($86,600 average to match the maximum credit) will have construction loans averaging $72,500 that are then recorded with the District and are subject to recordation taxes. Building permits will average $87,000 per year. If 20 percent of the construction materials are purchased in the city, the resulting sales taxes will average $25,000 per year. The $4.3 million in annual construction supported by the tax credits will support 41 jobs in 2003, declining to 37 jobs in 2007. These construction workers will pay an estimated $43,000 in District income and sales taxes in 2003, assuming that 30 percent of the workers live in the city.

The new households attracted to the city by the availability of these historic homes will also contribute significant new income and sales taxes to the District coffers, partially offsetting the tax credits' cost.

Though their effects are not included in this analysis, major rehabilitation projects on the block often spur more modest renovation, maintenance and garden projects among neighbors, creating higher property values and tax revenues.

Net Impact. Over the 10-year projection period, new tax revenues will offset the total cost of the tax credits. Title III has a net present value cost of $17,000 under the medium level of new District households. That net present value cost could reach $1.1 million if fewer new households are attracted. If 40 percent of the households are new to the city, the credit would more than break even with $1.1 million in net new revenues to the District from new income and sales taxes and building permit fees in excess of the foregone taxes.

Households taking advantage of the historic preservation tax credits will include 20 percent with very-low incomes, many of whom will combine the credit with DHCD's single-family rehabilitation loans or grants. Low-income residents will represent an additional 40 percent of the households claiming the credits with the remaining credits being used by middle-income households with incomes up to 120 percent of AMI.

Cumulative Households Served, Medium-Level Scenario

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Households Served										
Extremely-Low-Income (<30%)	-	-	-	-	-	-	-	-	-	-
Very-Low-Income (31%-50%)	-	-	18	35	52	68	68	68	68	68
Low-Income (51%-80%)	-	-	35	70	103	136	136	136	136	136
Middle-Income (81%-120%)	-	-	35	69	103	137	137	137	137	137
Total	-	-	88	174	258	341	341	341	341	341

Title III: Historic Housing Tax Credit Act of 2002

Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Total**
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ (1,250)	$ (1,250)	$ (1,250)	$ (1,250)	$ -	$ -	$ -	$ -	$ -	$ (5,000)
New Expenditures	$ -	$ (34)	$ (35)	$ (36)	$ (37)	$ -	$ -	$ -	$ -	$ -	$ (142)
New Revenues											
Real Property Taxes	$ -	$ -	$ -	$ -	$ 37	$ 75	$ 114	$ 155	$ 160	$ 164	$ 705
Income Taxes	-	36	182	337	495	628	646	666	686	706	4,382
Sales Taxes	-	32	44	57	71	53	54	56	57	59	483
Utility Taxes	-	-	-	-	-	-	-	-	-	-	-
Building Permit Fees	-	87	87	87	87	-	-	-	-	-	348
Transfer Taxes	-	-	-	-	-	-	-	-	-	-	-
Recordation Taxes	-	16	16	16	17	-	-	-	-	-	65
Total New Revenues	$ -	$ 171	$ 329	$ 497	$ 707	$ 756	$ 814	$ 877	$ 903	$ 929	$ 5,983
Total Net Revenue/(Cost)	$ -	$ (1,113)	$ (956)	$ (789)	$ (580)	$ 756	$ 814	$ 877	$ 903	$ 929	$ 841
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$ (1,092)**										
Medium	**$ 17**										
High	**$ 1,140**										
Households New to DC											
Low (20%)	-	-	18	17	17	16	-	-	-	-	68
Medium (30%)	-	-	26	26	25	25	-	-	-	-	102
High (40%)	-	-	35	35	33	33	-	-	-	-	136
Units Rehabilitated	-	-	89	87	85	83	-	-	-	-	344
Jobs	-	41	40	38	37	-	-	-	-	-	156

TITLE IV: LOW-INCOME, LONG-TERM HOMEOWNERS PROTECTION

Title IV provides income-tax credits to very-low-income, long-term homeowners whose property taxes increase at a rate faster than 5.0 percent per year. Eligible taxpayers are homeowners with incomes less than or equal to 50 percent of AMI who have lived in their homes for at least seven years. This year, that income limitation equates to $32,030 for a single person, $36,600 for a two-person household, $41,180 for a three-person household and $45,750 for a four-person household.

Though the administrative procedures have not yet been developed for this program, taxpayers are likely to be able to apply for the credit with their income tax returns. Taxpayers cannot take both the historic tax credit (Title III) and this income tax credit.

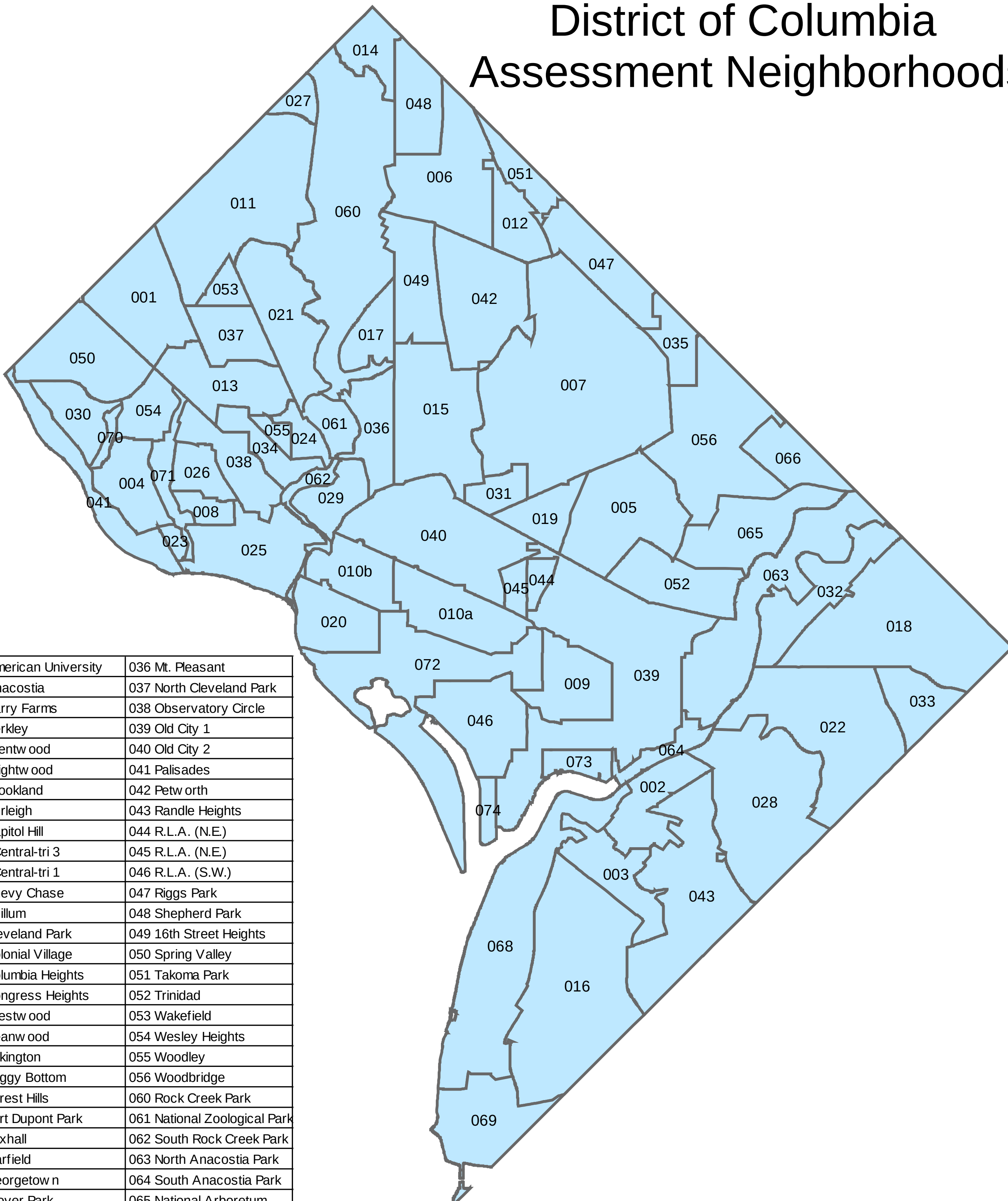
Only long-term homeowners with incomes more than $20,000 will participate in the program. The DC Code (Section 47-1806.06) already provides a "Circuit Breaker" income tax credit for households with incomes below $20,000 as well as elderly, blind and disabled residents. The existing circuit breaker provisions provide a 75- to 95-percent income-tax credit for residents whose property taxes exceed a specified percentage of household gross income (1.5 to 4.0 percent depending on income level). Those tax credits are much more generous than those proposed in this Title IV.

Based on data from the 1990 Census adjusted for inflation, the District has 37,146 households with incomes between $20,000 and $41,180 (the maximum income for a three-person household). This count overestimates the number of low-income households because it does not take household size into account; however, this analysis uses that estimate in the absence of more precise figures. (The Office of the Chief Financial Officer reports that the city has 42,975 low-income households (with incomes below 60 percent of AMI) based on tax year 1999 income tax filings.) Detailed 1990 Census data available through the Public Use Microdata (PUMS) provide information for the District and five subareas within the city. They indicate that 26 percent of the District's low-income households with 1989 incomes between $14,000 and $27,000 (equivalent to $20,000 and $41,1800 in today's dollars) owned their homes. Of those homeowners, 73 percent had lived in their homes for more than 10 years. Using the Census count of 37,146 households with qualifying incomes, that suggests that roughly 10,700 District households are eligible for this protection. Of these homeowners, 1990 Census data suggest that 63 percent are senior citizens aged 65 and older and are therefore eligible for a 50-percent reduction in their property tax liability.

However, many of these households live in houses and neighborhoods that have not increased in value more rapidly than the 5.0-percent trigger inherent in the legislation. Reviewing the assessment trends by neighborhood shows that in the last round of assessments (conducted in 1998 to 2000) the only neighborhoods where total assessments of single-family and condominium homes increased by more than 4.0 percent per year were:

- American University Park (Assessment Neighborhood #1 as shown on the following map);
- Central (#10);
- Cleveland Park (#13);
- Crestwood (#17);
- Garfield (#24);
- Kalorama (#29);

District of Columbia Assessment Neighborhoods



001 American University	036 Mt. Pleasant
002 Anacostia	037 North Cleveland Park
003 Barry Farms	038 Observatory Circle
004 Berkley	039 Old City 1
005 Brentw ood	040 Old City 2
006 Brightw ood	041 Palisades
007 Brookland	042 Petw orth
008 Burleigh	043 Randle Heights
009 Capitol Hill	044 R.L.A. (N.E.)
010a Central-tri 3	045 R.L.A. (N.E.)
010b Central-tri 1	046 R.L.A. (S.W.)
011 Chevy Chase	047 Riggs Park
012 Chillum	048 Shepherd Park
013 Cleveland Park	049 16th Street Heights
014 Colonial Village	050 Spring Valley
015 Columbia Heights	051 Takoma Park
016 Congress Heights	052 Trinidad
017 Crestw ood	053 Wakefield
018 Deanw ood	054 Wesley Heights
019 Eckington	055 Woodley
020 Foggy Bottom	056 Woodbridge
021 Forest Hills	060 Rock Creek Park
022 Fort Dupont Park	061 National Zoological Park
023 Foxhall	062 South Rock Creek Park
024 Garfield	063 North Anacostia Park
025 Georgetow n	064 South Anacostia Park
026 Glover Park	065 National Arboretum
027 Haw thorne	066 Fort Lincoln
028 Hillcrest	068 Bolling Air Force Base
029 Kalorama	069 DC Village
030 Kent	070 Fort Drive
031 Ledroit Park	071 Glover-Archbold Parkw
032 Lily Ponds	072 Mall
033 Marshall Heights	073 Washington Navy Yard
034 Massachusetts Avenue	074 Ft. McNair
035 Michigan Park	

District of Columbia
Office of Tax and Revenue
Real Property Assessment Division

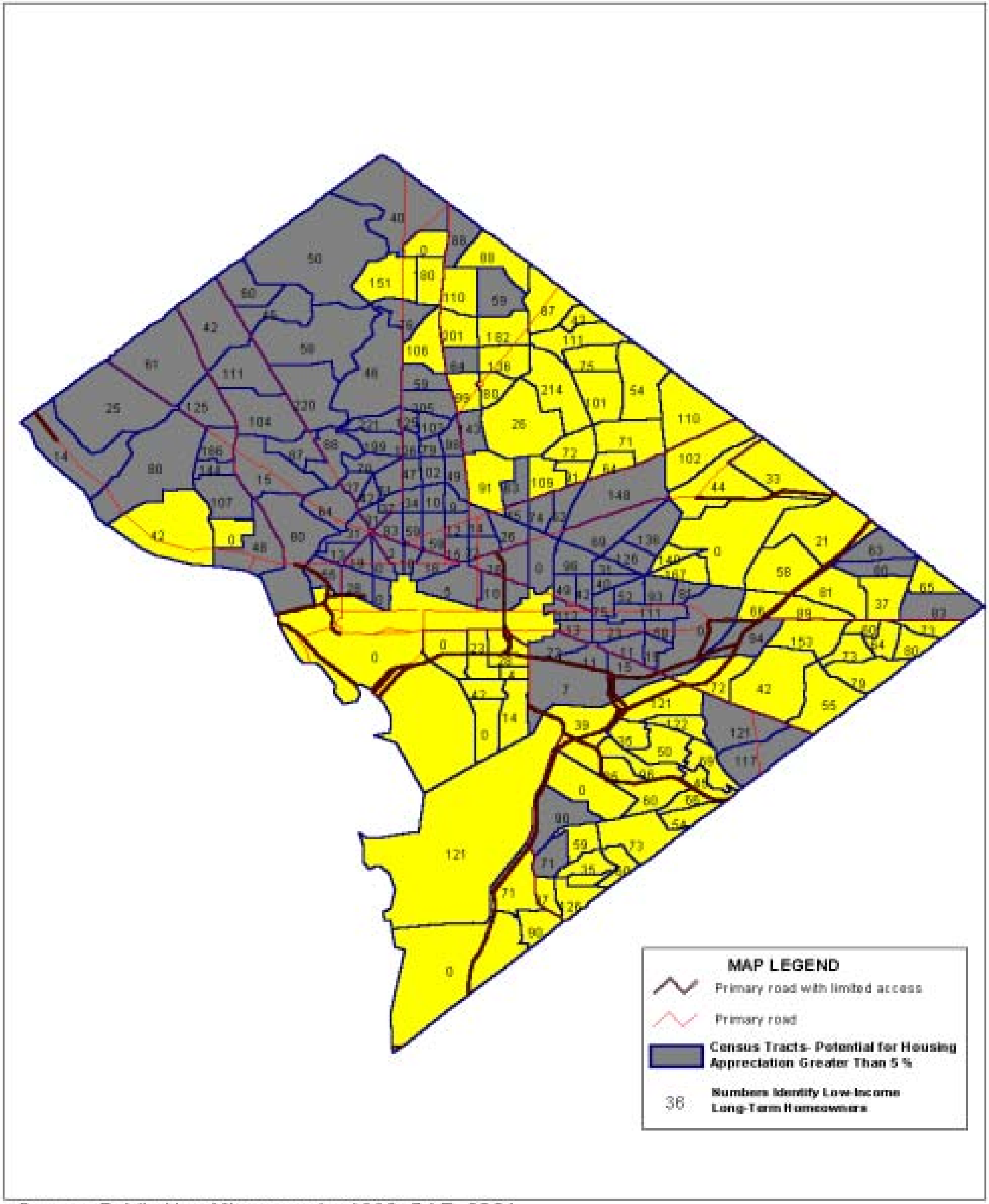
- Mount Pleasant (#36);
- North Cleveland Park (#37);
- Observatory Circle (#38);
- Old City I (#39);
- Old City II (#40);
- R.L.A., N.W. (#45); and
- Woodley (#55).

The rapid appreciation in home prices during 2000 and 2001 will impact additional neighborhoods. Based on information provided on recorded deeds, the following neighborhoods are also expected to show assessment increases in excess of 5.0 percent for those years:

- American University Park (#1);
- Berkley (#4)
- Burleith (#8);
- Capitol Hill (#9);
- Chevy Chase (#11);
- Chillum (#12);
- Colonial Village (#14);
- Columbia Heights (#15);
- Deanwood (part) (#18);
- Forest Hills (#21);
- Fort Dupont Park (part) (#22);
- Georgetown (#25);
- Glover Park (#26);
- Hawthorne (#27);
- Hillcrest (part) (#28);
- Kent (#30);
- Massachusetts Avenue Heights (#34);
- Observatory Circle (#38);
- Palisades (#41);
- Shepherd Park (#48);
- Sixteenth Street Heights (part) (#49);
- Spring Valley (#50);
- Wakefield (#53); and
- Wesley Heights (#54).

Map 2 shows the estimated number of low-income, long-term homeowners by census tract. Summing the numbers for households in the neighborhoods listed above yields a total of 4,975 households potentially eligible for this income tax credit.

Map 2: Low-Income, Long-Term Homeowners by Census Tract, 1990



Source: Public Use Microsample, 1990: BAE, 2001.

The analysis assumes that the average low-income, long-term homeowner owns a home assessed at $150,000. The District assesses each property every three years with the increased assessment being phased-in over three years. If that home increased in value by 25 percent between assessments, the homeowner's assessed valuation would increase by 8.0 percent per year. The difference between the first year's tax at $1,152 and 105 percent of the previous tax would be $57 in the first year. Because 63 percent pay only 50 percent of that tax by virtue of the senior citizen's property tax relief, the average credit would be $39 per household. That credit would grow in succeeding years as high tax increases build an increasing gap between the new tax level and that reached by increasing the homeowner's tax bill by 5.0 percent annually.

Cost. Assuming that all of the estimated 4,975 low-income, long-term homeowners in the listed neighborhoods had property value increases averaging 8.0 percent per year, the income tax credit will cost the District $194,000 in foregone taxes in FY 2003. Given the typical pattern of surges in sales prices followed by periods of much slower appreciation, this analysis assumes that values will increase 8.0 percent annually for three years followed by average annual increases of 1.0 percent for four years followed by another three-year cycle of 8.0-percent annual assessment increases. Foregone taxes could be higher if inflation were to return to the high levels of the 1980s or if the District increased the nominal tax rate much above its current rate of $0.96 per $100 of assessed value.

No administrative process for certifying eligible homeowners has yet been established. The data required to certify a homeowner's long-term ownership are available on the Internet from the Recorder of Deeds. Past tax returns could confirm that the homeowner has been reporting the home as his or her permanent address, and the property assessment file could calculate assessment increases from one year to the next. Homeowners could be required to attach their last two property tax bills to their income tax return. This would have a minimal impact on income-tax administrative costs.

Revenues. The goal of the low-income, long-term homeowners protection is to enable these homeowners to remain in their homes as long as they want without high property taxes forcing them to move. For the average homeowner, $29 or $57 per year is unlikely to make the difference between moving or not; however, some homeowners may experience a much higher increase beyond their financial resources. After a few years of 8.0-percent assessment increases, the annual credit could reach $191 per household. This analysis assumes that each year one percent of the impacted households who remain in their homes and receive the tax credit would otherwise have left the city except for two years when the credits are minimal following years of modest assessed value increases. Thus, 50 lower-income households per year might have left each year, for a total of 348 households over the projection period.

Higher-income households would likely replace these households with an assumed household income averaging $70,000. These higher-income households are assumed to be headed by individuals not eligible for the senior citizen property tax relief. Replacing lower-income households headed by senior citizens with higher-income households would return the property taxes to the full level. Beginning in FY 2003, property taxes would be $18,000 higher if these lower-income households were not retained in the city, growing to $192,000 by FY 2011.

Under the medium-level alternative, an estimated 45 percent of these higher-income households who would have replaced long-term low-income households will be new to the District rather than transplants from other parts of the city. The difference in income and sales taxes between those received by the low-income homeowner retained in his or her home and those of the potential new households is estimated at $77,000 in FY 2003, growing to $0.7 million by FY 2011. More significant is the potential loss of the transfer and recordation taxes that would have been received if these long-term homeowners sold their homes. Those taxes would have totaled $178,000 in FY 2003. Over the 10-year projection period, the foregone revenues from the higher-income households that might have displaced the low-income households are projected to total $6.1 million.

The low-level scenario assumes that only 0.5 percent of households would choose to stay in the city annually as a result of the tax credit. The high-level alternative assumes 1.5 percent of low-income, long-term households each year would be able to remain in the city as a result of the tax credit. Under the low- and high-level scenarios with fewer or more households retained in the city, the foregone revenues that displacement of low-income households would have generated would total $2.5 to $11.1 million.

Net Impact. The cost of granting and administering the tax credits would have a net present value of $2.3 million, and the potential taxes from new higher-income households that would have displaced low-income households would have a net present value of $4.6 million. Taken together, Title IV has a potential cost with a net present value of $6.9 million under the medium-level alternative. Under the low- and high-level alternatives, the net cost would have a 2002 net present value of $4.2 to $10.5 million. Of the homeowners protected under Title IV, 25 percent are assumed to have very low incomes of less than 30 percent of AMI with the remainder having incomes between 30 and 50 percent of AMI.

Cumulative Households Served, Medium-Level Scenario

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Households Served										
Extremely-Low-Income (<30%)	1,244	1,244	1,244	1,244	1,244	1,244	1,244	1,244	1,244	1,244
Very-Low-Income (31%-50%)	3,731	3,731	3,731	3,731	3,731	3,731	3,731	3,731	3,731	3,731
Low-Income (51%-80%)	-	-	-	-	-	-	-	-	-	-
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Total	4,975	4,975	4,975	4,975	4,975	4,975	4,975	4,975	4,975	4,975

These estimates probably overstate the potential impact because 1) not all of the households with incomes below $41,180 are officially low-income households by HUD's definition because they have only one or two persons, and 2) not all of the identified neighborhoods will sustain an 8.0-percent annual appreciation in home values for six of the next ten years.

Title IV: Low-Income, Long-Term Homeowners Protection
Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ (194)	$ (413)	$ (652)	$ (493)	$ (318)	$ (129)	$ -	$ (254)	$ (522)	$ (2,975)
New Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Revenues											
Real Property Taxes	$ -	$ (18)	$ (40)	$ (65)	$ (95)	$ (121)	$ (147)	$ (149)	$ (151)	$ (192)	$ (978)
Income Taxes	-	(77)	(159)	(244)	(335)	(432)	(535)	(551)	(567)	(680)	(3,580)
Sales Taxes	-	(3)	(6)	(9)	(12)	(15)	(19)	(19)	(20)	(24)	(127)
Utility Taxes	-	-	-	-	-	-	-	-	-	-	-
Building Permit Fees	-	-	-	-	-	-	-	-	-	-	-
Transfer Taxes	-	(89)	(96)	(102)	(105)	(106)	(107)	-	-	(124)	(729)
Recordation Taxes	-	(89)	(96)	(102)	(105)	(106)	(107)	-	-	(124)	(729)
Total New Revenues	$ -	$ (276)	$ (397)	$ (522)	$ (652)	$ (780)	$ (915)	$ (719)	$ (738)	$ (1,144)	$ (6,143)
Total Net Revenue/(Cost)	$ -	$ (470)	$ (810)	$ (1,174)	$ (1,145)	$ (1,098)	$ (1,044)	$ (719)	$ (992)	$ (1,666)	$ (9,118)
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$ (4,165)**										
Medium	**$ (6,900)**										
High	**$(10,536)**										
Households Retained											
Low	-	25	25	25	25	24	25	-	-	25	174
Medium	-	50	50	49	50	50	50	-	-	49	348
High	-	75	74	75	75	74	75	-	-	74	522
Units Rehabilitated	-	-	-	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	-	-	-	-	-	-

TITLE V: MODIFICATION OF THE HOUSING PRODUCTION TRUST FUND

Title V provides a dedicated funding source for the Housing Production Trust Fund by directing 15 percent of the District's real estate transfer taxes and deed recordation taxes to the Trust Fund. Also dedicated are the proceeds from sale of abandoned and deteriorated properties acquired and sold under Title VIII, unless those properties are sold pursuant to the Homestead Housing Preservation Act of 1986. The Act directs that the dedication of transfer and recordation taxes begin in October 2002.

DHCD plans to allocate the Housing Production Trust Fund into three equal parts:

- One-third to preservation of existing affordable housing;
- One-third to new affordable multi- and single-family housing; and
- One-third to home purchase assistance through the Housing Purchase Assistance Program (HPAP) and Housing Finance Agency (HFA) write-downs of mortgage rates.

The Act requires that at least 40 percent of the resources assist extremely-low-income households with incomes at or below 30 percent of AMI. At least 40 percent must assist very-low-income households with incomes between 30 and 50 percent of AMI. At least one-half of the funds must be devoted to rental housing. In DHCD's most recent Community Development Block Grant (CDBG) program, 33 percent of the funds benefited households with incomes at or below 30 percent of AMI, and another 27 percent benefited households with incomes between 31 and 50 percent of AMI.

DHCD plans to award funds for new affordable multi- and single-family housing through proposals received in response to a Notification of Funding Availability issued in January 2003.

Costs. The cost of implementing Title V is the diversion of taxes from the General Fund. The *FY 2002 Proposed Budget and Financial Plan* projects real estate transfer and deed recordation taxes to total \$123.1 million in FY 2002, \$116.9 million in FY 2003, \$111.1 million in FY 2004 and \$105.5 million in FY 2005. The Financial Plan projects these taxes to decline from the abnormally high levels of FY 2001 and FY 2002.

Based on these projections, 15 percent of these funds will be \$17.5 million in FY 2003, declining to \$15.8 million in FY 2005. This analysis assumes that the FY 2005 level will continue through FY 2011. DHCD officials report that the Department has sufficient staff resources to administer the additional activities of the Housing Production Trust Fund with no incremental costs.

Revenues. While the preservation of existing affordable housing will not bring new households to the city, the new Trust Fund resources will likely fund rehabilitation of units occupied by lower-income residents, resulting in building permit fees.

The analysis assumes that the one-third of the Trust Fund to be committed to homebuyer assistance will be split evenly between HPAP and HFA programs. HPAP, DHCD's primary homebuyer assistance program is only available to current District residents, so the downpayment and other homebuyer assistance provided by HPAP will not attract new residents to the city. HFA mortgage assistance is available to new homebuyers regardless of where they lived before buying homes in the city. The average income of HPAP recipients is \$33,000. With an average subsidy of \$24,000, HFA assistance will generate homeownership opportunities for 848 households. An estimated 15 percent of the homeowners assisted by HFA will be new residents of the city. These new homebuyers will have an average income of \$70,000.

The primary source of new households will be the new affordable single- and multi-family housing subsidized by the Trust Fund. New affordable housing units financed with CDBG funds last year required an average subsidy of $14,614 per unit, and projects being considered but not yet funded had an average subsidy of $17,044 per unit. Taken together, the average subsidy was $15,009. To reflect the higher percentage of extremely-low-income households to be served under Title V and the higher subsidy required to serve them, this analysis assumes an average subsidy of $17,000 per unit.

Subsidies from one-third of the Trust Fund monies will result in completion of 306 newly constructed single- and multi-family housing units in FY 2005 and somewhat lower levels in future years as revenues from transfer and recordation taxes decline. During the projection period, 1,815 new units will be completed. With an estimated assessed value of $90,000 per unit (excluding land which is already taxed), real property taxes on these units will yield $307,000 in new revenues in FY 2006, increasing to $1.8 million by FY 2011. Forty-five percent of the households occupying these units will be new to the District under the medium-level alternative.

Units Constructed and Households Attracted

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Units Constructed	-	-	-	306	282	260	252	245	239	231	1,815
Construction Costs											
(in millions)	$ -	$ 29.2	$ 27.7	$ 26.3	$ 26.3	$ 26.3	$ 26.5	$ 26.3	$ 26.4	$ 26.4	$ 241.5
Construction Jobs	-	-	329	303	280	271	263	257	248	242	2,193
Households	-	115	106	389	363	339	328	320	311	301	2,572
New Households											
Low (10%-30%)	-	12	11	97	91	83	81	78	77	73	603
Medium (15%-45%)	-	17	16	146	135	125	120	118	115	111	903
High (20%-60%)	-	23	21	195	179	167	161	157	153	147	1,203

The projected income and sales taxes paid by new households will total $0.7 million in FY 2005, increasing to $3.7 million in FY 2011. The tax projections reflect the average incomes of new households, which are estimated based on program requirements or current demographic trends. The analysis assumes that the average household will have an income equal to 95 percent of the upper-limit of the category for a three-person household, as follows:

Households at or below:	Maximum Income with 3 Persons	Average Income
30 percent of AMI	$24,710	$23,500
40 percent of AMI	$32,940	$31,300
50 percent of AMI	$41,180	$39,100
60 percent of AMI	$49,410	$46,900
80 percent of AMI	$65,880	$62,600

These estimates may be conservative if families receiving assistance have more than three persons on average.

Building permit fees, transfer taxes and recordation taxes will return an additional $8.7 million over the 10-year projection period. The revenue estimates include no transfer taxes for the first three years on the assumption that developers and non-profit organizations receiving subsidies from the Trust Fund will already have properties available for development without new land purchases in the short run. Recordation taxes are projected based on the recordation of construction loans, estimated at $90,000 per unit.

Net Impact. The diversion of transfer and recordation taxes from the General Fund to the Housing Production Trust Fund for FY 2003 through FY 2011 will have a net present value cost of $112.4 million. Revenues from new housing units and new households under the medium-level alternative will offset $25.5 million of that cost, leaving a net present value cost to the General Fund of $86.9 million. With the low-level alternative's lower share of new residents, the net present value cost would be $90.5 million. The assumptions of the high-level alternative would result in a net present value cost of $83.2 million.

Overall, the Housing Production Trust Fund will serve 6,534 households during the 10-year period. The income distribution of households served depends on the program element. Preservation of affordable units will serve extremely-low-income and very-low-income households. This analysis assumes that HPAP-assisted homebuyers will be split 40 percent with extremely-low incomes, 40 percent with very-low incomes and 20 percent with low incomes. HFA mortgage assistance typically serves households with the following income distribution: 10 percent with extremely-low incomes; 43 percent with very-low incomes; and 47 percent with low incomes. The new housing units will have an estimated 40 percent with extremely-low incomes, 40 percent with very-low incomes and 20 percent with low incomes.

Cumulative Households Served, Medium-Level Scenario										
	Fiscal Year									
Households Served	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Affordable Unit Preservation										
Very-Low-Income (<30%)	-	163	313	451	585	715	841	963	1,083	1,198
Low-Income (31%-60%)	-	162	312	450	584	714	840	963	1,082	1,198
Moderate-Income (61%-80%)	-	-	-	-	-	-	-	-	-	-
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	325	625	901	1,169	1,429	1,681	1,926	2,165	2,396
HPAP Homebuyers										
Very-Low-Income (<30%)	-	85	163	236	306	374	440	504	566	626
Low-Income (31%-60%)	-	85	163	236	306	374	440	504	566	626
Moderate-Income (61%-80%)	-	42	82	117	153	187	220	252	283	314
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	212	408	589	765	935	1,100	1,260	1,415	1,566
HFA Homebuyers										
Very-Low-Income (<30%)	-	12	22	32	41	51	60	68	77	85
Low-Income (31%-60%)	-	49	95	137	178	218	256	293	329	365
Moderate-Income (61%-80%)	-	54	104	150	195	237	279	321	360	398
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	115	221	319	414	506	595	682	766	848
New Units										
Very-Low-Income (<30%)	-	-	-	116	224	322	418	511	602	690
Low-Income (31%-60%)	-	-	-	116	224	322	418	511	602	690
Moderate-Income (61%-80%)	-	-	-	59	111	162	209	256	301	344
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	291	559	806	1,045	1,278	1,505	1,724
Title V Total										
Very-Low-Income (<30%)	-	260	498	835	1,156	1,462	1,759	2,046	2,328	2,599
Low-Income (31%-60%)	-	296	570	939	1,292	1,628	1,954	2,271	2,579	2,879
Moderate-Income (61%-80%)	-	96	186	326	459	586	708	829	944	1,056
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Total	-	652	1,254	2,100	2,907	3,676	4,421	5,146	5,851	6,534

Title V: Modification of the Housing Production Trust Fund

Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$(17,538)	$(16,661)	$(15,828)	$(15,828)	$(15,828)	$(15,828)	$(15,828)	$(15,828)	$(15,828)	$ (144,995)
New Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Revenues											
Real Property Taxes	$ -	$ -	$ -	$ -	$ 307	$ 607	$ 901	$ 1,205	$ 1,517	$ 1,841	$ 6,378
Income Taxes	-	93	480	888	1,292	1,707	2,127	2,569	3,022	3,487	15,665
Sales Taxes	-	8	175	232	287	349	413	480	548	618	3,110
Utility Taxes	-	-	-	44	88	130	174	219	265	313	1,233
Building Permit Fees	-	584	672	638	632	633	635	633	634	633	5,691
Transfer Taxes	-	-	-	-	64	64	65	64	65	64	386
Recordation Taxes	-	321	305	290	289	290	291	290	291	290	2,657
Total New Revenues	$ -	$ 1,006	$ 1,632	$ 2,092	$ 2,959	$ 3,780	$ 4,606	$ 5,460	$ 6,342	$ 7,246	$ 35,120
Total Net Revenue/(Cost)	$ -	$(16,532)	$(15,029)	$(13,736)	$(12,870)	$(12,049)	$(11,223)	$(10,369)	$ (9,487)	$ (8,583)	$ (109,875)
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$(90,452)**										
Medium	**$(86,854)**										
High	**$(83,195)**										
Households New to DC											
Low (10%-30%)	-	12	11	97	91	83	81	78	77	73	603
Medium (15%-45%)	-	17	16	146	135	125	120	118	115	111	903
High (20%-60%)	-	23	21	195	179	167	161	157	153	147	1,203
New Affordable Units	-	-	-	306	282	260	252	245	239	231	1,815
Jobs	-	-	329	303	280	271	263	257	248	242	2,193

TITLE VI: TAX ABATEMENT FOR NEW RESIDENTIAL DEVELOPMENTS

Title VI provides tax abatement to encourage new housing construction. Eligible properties receive given tax abatement for a portion of the increase in property taxes resulting from the new construction. Taxes are set at the existing level at the time of the abatement; any increases in future years are subject to full or partial abatement. Six categories of properties are eligible for tax abatement:

1) new construction of at least 10 housing units in Downtown and C-4/C-5-zoned land in the area bounded by New Hampshire Avenue, N.W. to the west, Delaware Avenue, N.E. to the east, Pennsylvania Avenue, N.W. to the south and Massachusetts Avenue, N.W. and N.E. to the north;
2) new construction of at least 10 housing units in Housing Priority Area A as described in the Downtown Development District regulations – the area generally known as "Mount Vernon Square North" or "North of Massachusetts (NoMa)" roughly bounded by Massachusetts Avenue, New York Avenue and New Jersey Avenue, N.W.;
3) new construction of mixed-income housing with at least 10 housing units in Downtown in which at least 10 percent of the units are set aside for low-income residents for a period of 20 years;
4) new construction of mixed-income housing with at least 10 housing units in NoMa in which at least 10 percent of the units are set aside for low-income residents for a period of 20 years; and
5) new construction of mixed-income housing with at least 10 housing units in which at least 5 percent of the units are set aside for low-income households and 10 percent of units are set aside for 60-percent-of-median-income households in higher-cost Census Tracts – where the average rent for one- and two-bedroom apartments exceeds the Fair Market Rents by 20 percent or more – and in geographic areas where it is unlikely that housing with rents of less than 120 percent of Fair Market Rents will be produced; and
6) new construction of mixed-income housing with at least 10 housing units in higher-cost Census Tracts in which at least 5 percent of the units are set aside for low-income households, 10 percent of the units are set aside for 60-percent-of-median-income households and 5 percent of the units are set aside for extremely-low-income households for a period of 20 years.

The Act provides for a 10-year tax abatement based on the following rates:

Abatement per Residential F.A.R. Square Foot or Percent of the Difference in the Residential Property Tax Before and After Development

	Eligible Area		
Housing Type	**Downtown**	**North of Massachusetts**	**Higher-Cost Census Tracts**
New	$0.81 or 45%	$1.10 or 60%	NA
New Mixed-Income	$1.38 or 78%	$1.75 or 95%	75%
New Very-Mixed-Income	NA	NA	100%

The Act substitutes a percentage of the property tax imposed before and after development if the project does not use concrete construction or does not include underground parking, ranging from 45 to 95 percent of the incremental new property taxes.

Mixed-income housing developments in higher-cost areas with at least 15 percent of the units set aside for low- and 60-percent-of-median-income households (Category 5) receive abatement of 75 percent of their incremental taxes for a period of 10 years; those with 20 percent for low-, 60-percent-of-median- and extremely-low-income households receive 100-percent abatement for 10 years.

The tax abatement provisions expire on December 31, 2003 for downtown properties, December 31, 2005 for NoMa projects and December 31, 2004 for developments in higher-cost areas. To be eligible, projects must have before the expiration date: 1) a final building permit for the building's major systems or certification that the first level of concrete has been laid and a building permit received for underground construction prior to the expiration date; and 2) the Mayor's reservation of tax abatement authority for the project. The Act caps the total amount of new tax abatement that can be authorized at:

1) $2,500,000 of new abatement for Downtown housing developments;
2) $2,000,000 of new abatement for NoMA housing developments; and
3) $2,500,000 of new abatement for mixed-income and very-mixed-income housing in higher-cost areas with at least 15 to 20 percent of its units for low-, 60-percent-of-median- and extremely-low-income households.

Costs. Abatements begin in the year in which the units are first taxed, e.g., units completed by January 2002 are sent tax bills that reflect the abatement for payment in April 2003 and September 2003. Total abated taxes will increase to $7.0 million by FY 2007. All of the properties will return to full taxes by FY 2017.

The Office of the Deputy Mayor for Planning and Economic Development has sufficient staff to manage the process of allocating the tax credit among eligible properties and then monitoring those developments to ensure initial compliance with requirements for units for low- and moderate-income households. On-going administration will require monitoring the mixed-income developments with units for low- and moderate-income households; an outside contract for that monitoring is estimated to cost $20 per year for each affordable unit.

Revenues. This analysis assumes that the average per-unit assessed value of a new multifamily unit will be $150,000 in Downtown and NoMa and $125,000 in other higher-cost areas. (This figure is based on the assessment for The Regent, a newly constructed apartment building on 16th Street, N.W. It excludes an assessed value for land, which continues to be taxed based on its current value.) Based on this assumption, the tax abatement caps will allow construction of 2,953 multi-family units in Downtown (with 465 units in mixed-income buildings), 1,616 multi-family units in NoMa (with 535 units in mixed-income buildings), and 417 new affordable units for low- and moderate-income residents in higher-cost areas.

In Downtown, the high costs of development have constrained private development, and in the NoMa area, the perceived higher risks of development have constrained private market response. Therefore, all of the new units are judged to result from the availability of tax abatement. For the mixed-income developments elsewhere in the city, this analysis considers only the affordable units built for lower-income households to be the result of the tax abatement. The market-rate units in the mixed-income developments are not dependent on the tax abatement for their feasibility. Excluding the abated property taxes, these new developments will generate $2.5 million in new real property tax revenues in FY 2007, the first year of property taxes for all of the participating developments.

Units Constructed or Rehabilitated and Households Attracted

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Units Constructed											
1) Downtown	374	49	1,133	932	-	-	-	-	-	-	2,488
2) NoMa	-	-	240	421	420	-	-	-	-	-	1,081
3) Dntn Mixed-Inc.	-	-	465	-	-	-	-	-	-	-	465
4) NoMa Mixed-Inc.	-	-	-	535	-	-	-	-	-	-	535
5) Mixed-Income	-	100	100	175	-	-	-	-	-	-	375
6) Very-Mixed-Inc.	-	-	42	-	-	-	-	-	-	-	42
Units Constructed	374	149	1,980	2,063	420	-	-	-	-	-	4,986
Construction Costs											
(in millions)	$ 126	$ 134	$ 29	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 289
Construction Jobs	1,220	1,267	262	-	-	-	-	-	-	-	2,749
Households	355	142	1,881	1,960	399	-	-	-	-	-	4,737
New Households											
Low (30-50%)	178	52	913	947	200	-	-	-	-	-	2,290
Medium (45-65%)	231	73	1,196	1,240	260	-	-	-	-	-	3,000
High (60-80%)	284	95	1,477	1,535	320	-	-	-	-	-	3,711

Based on information from other downtown area apartment complexes, an estimated 65 percent of the households renting NoMa apartments will be new to the District under the medium-level alternative, ranging from 50 to 80 percent under the low- and high-level alternatives. The medium-level alternative assumes that 45 percent of the affordable housing residents will be new to the District. This analysis includes only the tax revenues attributable to these households. Future residents of the units made possible by tax abatement are projected to pay $23.6 million in new income and sales taxes in FY 2006 when all of the units authorized for tax abatement under Title VI are completed and occupied.

During the development period, building permit fees, transfer taxes and recordation taxes will generate a total of $18.9 million in new revenues.

Net Impact. Future foregone taxes will total $46.3 million over the 10-year projection period with a net present value of $34.0 million. Future on-going property, income, sales and utility taxes as well as one-time building permit fees and transfer and recordation taxes will more than offset these costs, however. The future revenues will total $234.7 million with a net present value of $178.7 million. Overall, Title VI will return net revenues with a net present value of $144.7 million under the medium-level alternative. The low-level and high-level alternatives would yield net revenues with a net present value ranging from $111.7 to $177.7 million.

The Title VI tax abatements will serve 4,738 households. Because the subsidy is relatively modest for the new units Downtown, they accommodate the largest number of new households.

Overall, Title VI will provide housing for 10 extremely-low-income households, 737 low-income households, 2,302 middle-income households and 1,689 higher-income households.

Cumulative Households Served, Medium-Level Scenario										
	Fiscal Year									
Households Served	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Downtown										
Extremely-Low-Income (<30%)	-	-	-	-	-	-	-	-	-	-
Very-Low-Income (31%-50%)	-	-	-	-	-	-	-	-	-	-
Low-Income (51%-80%)	-	-	44	44	44	44	44	44	44	44
Middle-Income (81%-120%)	178	201	938	1,381	1,381	1,381	1,381	1,381	1,381	1,381
Higher-Income (>120%)	177	201	938	1,381	1,381	1,381	1,381	1,381	1,381	1,381
Subtotal	355	402	1,920	2,806	2,806	2,806	2,806	2,806	2,806	2,806
North of Massachusetts										
Extremely-Low-Income (<30%)	-	-	-	-	-	-	-	-	-	-
Very-Low-Income (31%-50%)	-	-	-	-	-	-	-	-	-	-
Low-Income (51%-80%)	-	-	46	228	307	307	307	307	307	307
Middle-Income (81%-120%)	-	-	137	682	921	921	921	921	921	921
Higher-Income (>120%)	-	-	45	227	308	308	308	308	308	308
Subtotal	-	-	228	1,137	1,536	1,536	1,536	1,536	1,536	1,536
Affordable Units in Mixed-Income Developments										
Extremely-Low-Income (<30%)	-	-	10	10	10	10	10	10	10	10
Very-Low-Income (31%-50%)	-	-	-	-	-	-	-	-	-	-
Low-Income (51%-80%)	-	95	220	386	386	386	386	386	386	386
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Higher-Income (>120%)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	95	230	396	396	396	396	396	396	396
Title VI Total										
Extremely-Low-Income (<30%)	-	-	10	10	10	10	10	10	10	10
Very-Low-Income (31%-50%)	-	-	-	-	-	-	-	-	-	-
Low-Income (51%-80%)	-	95	310	658	737	737	737	737	737	737
Middle-Income (81%-120%)	178	201	1,075	2,063	2,302	2,302	2,302	2,302	2,302	2,302
Higher-Income (>120%)	177	201	983	1,608	1,689	1,689	1,689	1,689	1,689	1,689
Total	355	497	2,378	4,339	4,738	4,738	4,738	4,738	4,738	4,738

Title VI: Tax Abatement for New Residential Developments
Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ (285)	$ (922)	$ (3,490)	$ (6,567)	$ (7,002)	$ (7,002)	$ (7,002)	$ (7,002)	$ (7,002)	$ (46,274)
New Expenditures	$ -	$ -	$ -	$ (2)	$ (7)	$ (12)	$ (12)	$ (13)	$ (13)	$ (13)	$ (72)
New Revenues											
Real Property Taxes	$ -	$ 261	$ 336	$ 1,397	$ 2,275	$ 2,544	$ 2,619	$ 2,697	$ 2,780	$ 2,863	$ 17,772
Income Taxes	1,834	3,170	10,831	19,559	21,942	22,598	23,277	23,975	24,695	25,434	177,315
Sales Taxes	620	759	948	1,516	1,702	1,752	1,805	1,860	1,916	1,973	14,851
Utility Taxes	49	71	345	654	736	758	781	804	828	853	5,879
Building Permit Fees	4,880	5,223	1,114	-	-	-	-	-	-	-	11,217
Transfer Taxes	-	-	-	-	-	-	-	-	-	-	-
Recordation Taxes	3,325	3,560	757	-	-	-	-	-	-	-	7,642
Total New Revenues	$ 10,708	$ 13,044	$ 14,331	$ 23,126	$ 26,655	$ 27,652	$ 28,482	$ 29,336	$ 30,219	$ 31,123	$ 234,676
Total Net Revenue/(Cost)	$ 10,708	$ 12,759	$ 13,409	$ 19,634	$ 20,081	$ 20,638	$ 21,468	$ 22,321	$ 23,204	$ 24,108	$ 188,330
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$111,744**										
Medium	**$144,716**										
High	**$177,720**										
Households New to DC											
Low (30%-50%)	178	52	913	947	200	-	-	-	-	-	2,290
Medium (45%-65%)	231	73	1,196	1,240	260	-	-	-	-	-	3,000
High (60%-80%)	284	95	1,477	1,535	320	-	-	-	-	-	3,711
New Housing Units	374	149	1,980	2,063	420	-	-	-	-	-	4,986
Rehabilitated Units	-	-	-	-	-	-	-	-	-	-	-
Jobs	1,220	1,267	262	-	-	-	-	-	-	-	2,749

TITLE VII: TAX ABATEMENT FOR ELIGIBLE HOMEOWNERS IN ENTERPRISE ZONES

Title VII provides tax abatement to homeowners that substantially rehabilitate their single-family homes in Enterprise Zones. Eligible homeowners may have incomes up to 120 percent of AMI ($109,800 for a family of four). "Substantial rehabilitation" requires investment of $20,000 or more (during a 24-month period or 60 months if architectural plans document a phased improvement plan) before October 1, 2007. Homeowners submit an application to the Mayor requesting certification of the rehabilitation and the abatement.

The abatement of new real property taxes attributable to the rehabilitation decline over time as follows:

- 100 percent of the incremental property taxes are abated during the tax year in which the rehabilitation is completed and three succeeding tax years;
- 75 percent for the fourth year after the year in which the rehabilitation is completed;
- 50 percent for the fifth year after the year in which the rehabilitation is completed; and
- 25 percent for the sixth year after the year in which the rehabilitation is completed.

The tax abatement is available to the eligible homeowner (or a relative if the homeowner dies) only as long as he or she continues to occupy the single-family residential property as his or her principal residence.

In addition to abatement of the incremental new property taxes resulting from the substantial rehabilitation, the homeowner receives a one-time income tax credit equal to $50 for each $1,000 invested for improvements completed after October 1, 2002 and before October 1, 2007. The credit may not exceed $5,000 per unit. If the credit exceeds 50 percent of the property tax paid prior to the rehabilitation, it may be carried forward up to five years.

The Act caps these income tax credits at a total of $1 million.

Costs. The primary cost is the abated real property taxes and income tax credits. The District's Enterprise Zones include Census Tracts with 10 percent or more of residents with incomes below the poverty line. Those tracts include roughly 170,000 housing units, of which 32 percent are single-family attached or detached units. Based on 1990 Census data, homeowners occupy two-thirds of the single-family units or roughly 36,000 units. Three-quarters of those households are estimated to have eligible incomes of 120 percent of AMI or less. Of the 27,000 eligible homeowners, this analysis assumes that three percent will each year invest $20,000 or more in their homes – 800 units per year for FY 2003 through FY 2007.

This analysis assumes an average initial home price of $100,000 and an average investment of $75,000 completed in a 12-month period. The income tax credits, capped at $1 million, equal $50 per $1,000 invested. The Act limits the credits to no more than $5,000 or one-half of the prior year's real property taxes. This limitation means that the average tax credit of $3,750 implied by a $75,000 investment is in fact limited to $336 per year, carried forward for five years for a total of $1,680. With most homeowners needing to carry forward the credit, the $1 million will likely cover only one year's worth of commitments. The initial year's commitment of $200,000 would provide credits for 595 homeowners or fewer if the average assessed value was greater than $100,000.

Units Constructed or Rehabilitated and Households Attracted											
	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Units Rehabilitated	-	800	800	800	800	800	-	-	-	-	4,000
Construction Costs											
(in millions)	$ 61.8	$ 63.7	$ 65.6	$ 67.5	$ 69.6	$ -	$ -	$ -	$ -	$ -	$ 328.1
Construction Jobs	600	600	600	600	600	-	-	-	-	-	3,000
Households	-	-	792	792	792	792	792	-	-	-	3,960
New Households											
Low (10%)	-	-	79	79	80	79	79	-	-	-	396
Medium (20%)	-	-	158	159	158	159	158	-	-	-	792
High (30%)	-	-	238	237	238	237	238	-	-	-	1,188

The property tax abatements and income tax credits will divert $16.3 million from FY 2003 through FY 2011. The administrative responsibility for processing applications can be handled by existing staff with no additional cost to the General Fund.

Revenues. Title VII's revenue impacts will include increases in real property taxes after the fourth year of 100-percent abatement. The abatements and tax credits are available to all Enterprise Zone homeowners of eligible incomes who invest $20,000 in their homes. The medium-level alternative assumes that 20 percent of the homeowners taking advantage of the abatement will be new residents of the District. The income and sales taxes of these new homeowners will total $33.0 million over the FY 2002 to FY 2011 period.

Building permits, transfer taxes and recordation taxes will generate an additional $16.5 million.

Net Impact. Foregone taxes will total $16.3 million over the forecast period with a net present value of $11.8 million. Offsetting revenues from property, income, sales, transfer and recordation taxes as well as building permit fees will total $55.5 million with a net present value of $42.8 million. Overall, the economic activity generated by rehabilitation of Enterprise Zone houses will return net revenues with a net present value of $31.0 million. Depending on the share of homeowners new to the city, that net impact could range from $19.1 to $42.9 million in net revenues.

This analysis assumes that the 3,960 participating homeowners will include:

- 10 percent with extremely-low incomes below 30 percent of AMI;
- 20 percent with very-low incomes of 30 to 50 percent of AMI;
- 50 percent with low incomes of 50 to 80 percent of AMI; and
- 20 percent with middle incomes less than 120 percent of AMI.

Cumulative Households Served, Medium-Level Scenario										
	Fiscal Year									
Households Served	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Enterprise Zone										
Homeowners										
Extremely-Low-Income (<30%)	-	-	79	158	238	317	396	396	396	396
Very-Low-Income (31%-50%)	-	-	158	317	475	634	792	792	792	792
Low-Income (51%-80%)	-	-	396	792	1,188	1,584	1,980	1,980	1,980	1,980
Middle-Income (81%-120%)	-	-	159	317	475	633	792	792	792	792
Total	-	-	792	1,584	2,376	3,168	3,960	3,960	3,960	3,960

Title VII: Tax Abatement for Eligible Homeowners in Enterprise Zones
Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ (200)	$ (200)	$ (811)	$ (1,458)	$ (2,144)	$ (2,672)	$ (3,268)	$ (3,009)	$ (2,554)	$ (16,316)
New Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Revenues											
Real Property Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 172	$ 531	$ 1,094	$ 1,797
Income Taxes	506	521	1,427	2,391	3,407	3,900	5,019	5,169	5,325	5,485	33,150
Sales Taxes	275	283	365	454	547	327	420	432	445	459	4,007
Utility Taxes	-	-	-	-	-	-	-	-	-	-	-
Building Permit Fees	1,200	1,236	1,273	1,311	1,350	-	-	-	-	-	6,370
Transfer Taxes	-	934	962	990	1,020	1,051	-	-	-	-	4,957
Recordation Taxes	-	980	1,010	1,040	1,071	1,103	-	-	-	-	5,204
Total New Revenues	$ 1,981	$ 3,954	$ 5,037	$ 6,186	$ 7,395	$ 6,381	$ 5,439	$ 5,773	$ 6,301	$ 7,038	$ 55,485
Total Net Revenue/(Cost)	$ 1,981	$ 3,754	$ 4,837	$ 5,375	$ 5,937	$ 4,237	$ 2,767	$ 2,505	$ 3,292	$ 4,484	$ 39,169
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$ 19,057**										
Medium	**$ 30,994**										
High	**$ 42,931**										
Households New to DC											
Low (10%)	-	-	79	79	80	79	79	-	-	-	396
Medium (20%)	-	-	158	159	158	159	158	-	-	-	792
High (30%)	-	-	238	237	238	237	238	-	-	-	1,188
New Housing Units	-	-	-	-	-	-	-	-	-	-	-
Rehabilitated Units	-	800	800	800	800	800	-	-	-	-	4,000
Jobs	600	600	600	600	600	-	-	-	-	-	3,000

TITLE VIII: MODIFICATION TO THE HOMESTEAD HOUSING PRESERVATION PROGRAM

Title VIII includes a number of technical revisions to the Homestead Housing Preservation Act of 1986 to expand the Homestead Program's ability to return abandoned housing to productive use. The revisions allow the program to

- receive units from donation, foreclosure or purchase;
- dispose of properties to private developers for the creation of rental housing for low-income residents;
- accept unsolicited proposals for homes not sold through the Homestead Lottery; and
- privatize title services.

It also creates a Homestead Repayment Fund to recycle funds received from the sale of properties.

Organizations purchasing a property for rental housing must reserve at least one-half of the units for low- and moderate-income households and charge rents affordable to low-income households in at least one-quarter of the units for at least 20 years. Except in the case of rental buildings, the Act requires that 25 percent of the proprietary interests in large multi-family dwellings sold be transferred to low- and moderate-income households with at least 15 percent transferred to low-income households. Overall, at least one-half of the units and proprietary interests must be transferred to low- or moderate-income families.

Cost. The only General Fund cost is the diversion of repayments to the new Homestead Repayment Fund. Those repayments are typically from downpayment loans made to past purchasers of units through the Homestead Lottery. Low-income households participating in the Lottery are eligible for up to $10,000 in downpayment assistance. However, these funds will likely substitute for General Fund revenues currently funding the downpayment assistance program, so there will be no net cost to the General Fund.

Revenues. The changes in program regulations will provide greater flexibility in dealing with difficult abandoned properties. Those most likely to benefit are multi-family properties that are not suitable for condominiums. This analysis assumes that one 20-unit development per year will be made available to private developers for rehabilitation as rental housing with an average increase in assessed value of $60,000 per unit. During the 10-year projection period, the real property taxes generated by these multi-family developments will total $614,000.

In keeping with the program's requirements, 5 of the 20 units will be leased to low- or moderate-income households with an average income of $30,000. Residents of the market-rate units are assumed to have incomes of $40,000. An estimated 30 percent of these residents will be new District residents. The income and sales taxes paid by these new residents will total $765,000.

The construction activity will support an average of 12 construction jobs each year. The construction workers' income and sales taxes will generate a total of $130,000 during the 10-year period. Building permit fees will contribute an additional $283,000.

Units Rehabilitated and Households Attracted											
	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Units Rehabilitated	-	20	40	60	80	100	120	140	160	180	900
Construction Costs (in millions)	$ 1.24	$ 1.27	$ 1.31	$ 1.35	$ 1.39	$ 1.43	$ 1.48	$ 1.52	$ 1.57	$ 1.61	$ 14.17
Construction Jobs	6	12	12	12	12	12	12	12	12	12	114
Households	-	-	20	19	20	19	20	20	19	20	157
Households New to DC											
Low (20%)	-	-	4	4	4	4	4	4	3	4	31
Medium (30%)	-	-	6	6	6	5	6	6	6	6	47
High (40%)	-	-	8	8	8	7	8	8	8	8	63

Net Impact. Revenues from new future residents and newly rehabilitated rental housing will generate revenues with a net present value cost of $1.4 million under the medium-level alternative. Depending on the percentage of households new to the city, that return could range between $1.3 and $1.6 million.

The 157 households served will have the following distribution by income:

- 30 percent extremely-low-income households;
- 50 percent very-low-income households; and
- 20 percent low-income households.

Cumulative Households Served, Medium-Level Scenario										
	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Households Served										
Very-Low-Income (<30%)	-	-	6	12	18	23	29	35	41	47
Low-Income (31%-60%)	-	-	10	20	30	39	49	59	69	79
Moderate-Income (61%-80%)	-	-	4	7	11	16	20	24	27	31
Middle-Income (81%-120%)	-	-	-	-	-	-	-	-	-	-
Total	-	-	20	39	59	78	98	118	137	157

Title VIII: Modification to the Homestead Housing Preservation Program
Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Revenues											
Real Property Taxes	$ -	$ -	$ -	$ 19	$ 40	$ 62	$ 85	$ 110	$ 135	$ 163	$ 614
Income Taxes	5	10	28	45	64	81	102	124	148	173	780
Sales Taxes	8	9	12	15	17	20	23	27	30	35	196
Utility Taxes	-	-	3	6	9	12	15	19	23	27	114
Building Permit Fees	25	25	26	27	28	29	30	30	31	32	283
Transfer Taxes	-	-	-	-	-	-	-	-	-	-	-
Recordation Taxes	-	-	-	-	-	-	-	-	-	-	-
Total New Revenues	$ 38	$ 44	$ 69	$ 112	$ 158	$ 204	$ 255	$ 310	$ 367	$ 430	$ 1,987
Total Net Revenue/(Cost)	$ 38	$ 44	$ 69	$ 112	$ 158	$ 204	$ 255	$ 310	$ 367	$ 430	$ 1,987
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$ 1,266**										
Medium	**$ 1,444**										
High	**$ 1,628**										
Households New to DC											
Low (20%)	-	-	4	4	4	4	4	4	3	4	31
Medium (30%)	-	-	6	6	6	5	6	6	6	6	47
High (40%)	-	-	8	8	8	7	8	8	8	8	63
Units Rehabilitated	-	20	20	20	20	20	20	20	20	20	180
Jobs	6	12	12	12	12	12	12	12	12	12	114

TITLE IX: DISTRICT MATCHING FUNDS FOR EMPLOYER-ASSISTED HOME PURCHASE PROGRAMS

Title IX provides an income tax credit equal to one-half of the home purchase assistance provided through certified employer-assisted home purchase programs. Employers earn credits by providing assistance with downpayments or other acquisition costs to eligible employees who have worked for the company for at least 12 months and did not own a principal place of residence in the District during the previous 12 months. The assistance must be available to all employees, though eligibility may be limited by a maximum income limit or a restriction to new homebuyers. Employees receiving assistance certify their intention to live in the dwelling unit for at least five years.

The Act caps the tax credits at $2,500 per employee.

Costs. The State of Maryland has operated a "Live Near Your Work" program since 1997, whereby the employer, the local jurisdiction and the State each contribute $1,000 toward an employee's downpayment or acquisition costs if the employee purchases a home in neighborhoods designated for revitalization. Program participation has grown from roughly 100 employees in 1997 to 600 in 2001. Of that total, roughly 70 percent were employed in the City of Baltimore. Many of the most active participants are non-profit institutions, such as the Johns Hopkins University and Health System. Baltimore has roughly 405,000 employees as compared with 650,000 employees in the District (including 181,000 Federal workers).

Baltimore's experience is a good indicator of likely participation in the District. However, the Maryland program does not depend on an income tax credit. The prominence of non-profit organizations among the District's major non-governmental employers suggests that a corporate income tax credit will not be as effective as Maryland's direct grant program. Based on the Baltimore experience, this analysis assumes the District program will attract employer participation at one-half the rate of participation in Baltimore – starting at 50 employees in the first year, growing to 250 employees per year by FY 2007 and then stabilizing at that level.

With an estimated average contribution of $3,000 per employee, District businesses will qualify for a credit of $1,500 per employee assisted. This generates a total credit of $2.6 million over the FY 2003 through FY 2011 period. Administration will be handled by existing tax processing staff.

Units Constructed or Rehabilitated and Households Attracted											
	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Units Rehabilitated	-	-	-	-	-	-	-	-	-	-	-
Construction Costs (in 000s)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction Jobs	-	-	-	-	-	-	-	-	-	-	-
Households	-	50	100	150	200	250	250	250	250	250	1,750
New Households											
Low (20%)	-	10	20	30	40	50	50	50	50	50	350
Medium (30%)	-	15	30	45	60	75	75	75	75	75	525
High (40%)	-	20	40	60	80	100	100	100	100	100	700

Revenues. The primary revenue impacts will be income and sales taxes from new residents. While many of the assisted employees will be current renters in the city, an estimated 30 percent will relocate to the city to take advantage of the employer assistance. Their income and sales taxes will total $13.0 million during the 10-year forecast period. Their transfer and recordation taxes will generate an additional $8.1 million. Because the employees are assumed to buy existing homes, they will generate no new property or utility taxes.

Net Impact. The employer-assisted home purchase tax credit program will have a 10-year cost of $2.6 million with a net present value of $2.0 million in 2002. The new income, sales, transfer and recordation taxes will total $21.1 million with a net present value of $15.2 million. Overall, the program will generate net revenues of $18.4 million with a net present value of $13.2 million.

The analysis assumes that assisted employees will have the following distribution:

- 20 percent with very-low incomes of 30 to 50 percent of AMI;
- 40 percent with low incomes of 50 to 80 percent of AMI; and
- 40 percent with middle incomes of 80 to 120 percent of AMI.

Cumulative Households Served, Medium-Level Scenario										
	Fiscal Year									
Households Served	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assisted Employee										
Homebuyers										
Extremely-Low-Income (<30%)	-	-	-	-	-	-	-	-	-	-
Very-Low-Income (31%-50%)	-	10	30	60	100	150	200	250	300	350
Low-Income (51%-80%)	-	20	60	120	200	300	400	500	600	700
Middle-Income (81%-120%)	-	20	60	120	200	300	400	500	600	700
Total	-	50	150	300	500	750	1,000	1,250	1,500	1,750

Title IX: District Matching Funds for Employer-Assisted Home Purchase Programs
Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ (75)	$ (150)	$ (225)	$ (300)	$ (375)	$ (375)	$ (375)	$ (375)	$ (375)	$ (2,625)
New Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Revenues											
Real Property Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income Taxes	-	69	214	440	755	1,167	1,603	2,064	2,551	3,065	11,928
Sales Taxes	-	6	19	39	66	103	141	182	225	270	1,051
Utility Taxes	-	-	-	-	-	-	-	-	-	-	-
Building Permit Fees	-	-	-	-	-	-	-	-	-	-	-
Transfer Taxes	-	105	216	334	459	591	609	627	646	665	4,252
Recordation Taxes	-	95	195	301	413	532	548	564	581	599	3,828
Total New Revenues	$ -	$ 275	$ 644	$ 1,114	$ 1,693	$ 2,393	$ 2,901	$ 3,437	$ 4,003	$ 4,599	$ 21,059
Total Net Revenue/(Cost)	$ -	$ 200	$ 494	$ 889	$ 1,393	$ 2,018	$ 2,526	$ 3,062	$ 3,628	$ 4,224	$ 18,434
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$ 10,137**										
Medium	**$ 13,200**										
High	**$ 16,260**										
Households New to DC											
Low (20%)	-	10	20	30	40	50	50	50	50	50	350
Medium (30%)	-	15	30	45	60	75	75	75	75	75	525
High (40%)	-	20	40	60	80	100	100	100	100	100	700
New Housing Units	-	-	-	-	-	-	-	-	-	-	-
Rehabilitated Units	-	-	-	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	-	-	-	-	-	-

TITLE X: HOMEOWNERSHIP COUNSELING PROGRAM

Title X directs the Mayor to establish a Homeownership Counseling Program within the District government or through provision by non-government entities. The District will provide information over the Internet and in each public library regarding:

- credit ratings, credit management and credit counseling;
- predatory lending practices;
- how to purchase a home;
- financial resources available to first-time homebuyers in the District;
- financial planning after purchasing a home; and
- all federal and District tax provisions and public and private programs providing homeownership assistance.

Cost. The District already operates homeownership counseling programs. No new costs will be imposed by this Title of the Act beyond what is already included in the General Fund Budget.

Revenues. Title X will generate no new revenues, though counseling and better availability of information on housing assistance will likely result in new District homeowners and retention of low-income households in their homes.

Title X: Homeownership Counseling Program
Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	(In thousands of inflated dollars)										
Foregone Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
New Revenues											
Real Property Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Income Taxes	-	-	-	-	-	-	-	-	-	-	-
Sales Taxes	-	-	-	-	-	-	-	-	-	-	-
Utility Taxes	-	-	-	-	-	-	-	-	-	-	-
Building Permit Fees	-	-	-	-	-	-	-	-	-	-	-
Transfer Taxes	-	-	-	-	-	-	-	-	-	-	-
Recordation Taxes	-	-	-	-	-	-	-	-	-	-	-
Total New Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Net Revenue/(Cost)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	$ -										
Medium	$ -										
High	$ -										
Households New to DC											
Low	-	-	-	-	-	-	-	-	-	-	-
Medium	-	-	-	-	-	-	-	-	-	-	-
High	-	-	-	-	-	-	-	-	-	-	-
Units Built/Rehabilitated	-	-	-	-	-	-	-	-	-	-	-
Jobs	-	-	-	-	-	-	-	-	-	-	-

TOTAL IMPACT OF THE ACT

Together, the 10 Titles of the Act will generate net new revenues to the District's General Fund totaling $95.5 million over the next 10 years, measured in net present value terms as of 2002, assuming the medium level of households new to the District (20 to 65 percent depending on the particular title of the Act). The discount rate for costs and revenues is 4.5 percent, based on the District's cost of money. Under the low level of households new to the District (10 to 50 percent of the households in new and rehabilitated units), the Act will generate net revenues for the General Fund with a net present value of $45.3 million. With the high level of new households assumption (30 to 80 percent), the legislation will generate net new revenues valued at $145.0 million. The tables on the following pages summarize the potential fiscal impact by Title and then by cost and revenue category.

The Act will result in construction of 13,125 new or rehabilitated housing units, which will attract 3,700 to 7,000 new households to the city and provide over 7,500 new or rehabilitated housing units for low-income households.

The Act provides incentives or funding that will, over the next 10 years,

- build or rehabilitate 7,512 affordable housing units,
- preserve 5,173 existing affordable units (2,777 units under Title II and 2,396 units under Title V),
- keep 174 to 522 low-income homeowners in their homes (Title IV),
- reinvest in Enterprise Zones and neighborhoods impacted by abandoned and deteriorated housing,
- assist 3,464 low- and moderate-income households to buy houses (2,414 households assisted through the Title V Housing Production Trust Fund and 1,050 households receiving assistance from their employers through Title IX),
- preserve and rehabilitate 344 historic units in targeted historic districts (Title III), and
- construct 6,801 units of new multi-family housing across the city (Titles V and VI), with particular emphasis on Downtown and the area North of Massachusetts Avenue. These initiatives are intended to attract more middle-income households to the city to support local businesses and pay taxes that fund District services.

New and rehabbed affordable housing units include new units built under Titles V (1,815 units) and VI (517 units) and units rehabilitated under Titles II (1,800 units), VII (3,200 units) and VIII (180 units). With market-rate units built in Downtown, North of Massachusetts Avenue and other higher-cost areas (4,986 units) and Title V units for lower-income households (1,815 units), the total number of new units reaches 6,801.

Distribution of Benefits. Of the 23,600 households benefiting directly from this legislation, 19 percent will be households with extremely-low incomes at or below 30 percent of the Area Median Income (AMI) and 37 percent will have very-low incomes between 30 and 50 percent of AMI. Low-income households will represent 23 percent of the total households. Tax abatement for new housing in Downtown and the North of Massachusetts Avenue area, historic preservation tax credits and enterprise zone homebuyer tax abatement provisions will attract 3,331 middle-income households and 1,689 higher-income households.

The Act directs the majority of the District's subsidies, calculated as General Fund expenditures or foregone taxes, to extremely low- and very low-income households. Twenty-eight (28) percent of the subsidies for housing assistance are directed toward households with incomes at or below 30 percent of income and another 29 percent is directed to households with incomes between 31 and 50 percent of the area median income.

The net 10-year cost of serving extremely-low-income households living in new or rehabilitated housing units averages $40,043 per household. This estimate does not consider offsetting revenues, such as income and sales taxes. For very-low-income households with incomes between 30 and 50 percent of the Area Median Income, the average cost per household is $29,815 for households accommodated in new or rehabilitated units. Costs are lower for low-income households at less than $12,500 per household. Units for middle-income and higher-income residents have a direct cost of less than $6,500 per household; however, those costs are more than offset by new revenues.

Households Served						
	10-Year Total	**Percent of Total**	**10-Year Cost ** (000s)**	**Percent of 10-Year Cost**	**10-Year Cost per Household**	**Net (Cost)/ Revenue per Household**
Total Households Served						
Extremely-Low-Income (<30% of AMI*)	4,560	19%	$ 58,831	26%	$ 12,902	$ 1,198
Very-Low-Income (31%-50% of AMI)	8,654	37%	$ 72,352	32%	$ 8,361	$ 1,077
Low-Income (51%-80% of AMI)	5,359	23%	$ 58,742	26%	$ 10,961	$ 6,134
Middle-Income (81%-120% of AMI)	3,331	14%	$ 21,953	10%	$ 6,591	$ 33,072
Higher-Income (>120% of AMI)	1,689	7%	$ 10,855	5%	$ 6,427	$ 47,465
Total	23,593	100%	$222,733	100%	$ 9,441	$ 5,430
Households in New or Rehabilitated Housing Units						
Extremely-Low-Income (<30% of AMI*)	1,143	10%	$ 45,769	28%	$ 40,043	$ 3,754
Very-Low-Income (31%-50% of AMI)	1,629	15%	$ 48,569	29%	$ 29,815	$ 5,508
Low-Income (51%-80% of AMI)	3,228	30%	$ 40,322	24%	$ 12,491	$ 5,815
Middle-Income (81%-120% of AMI)	3,231	30%	$ 20,903	13%	$ 6,470	$ 26,758
Higher-Income (>120% of AMI)	1,689	15%	$ 10,855	7%	$ 6,427	$ 47,465
Total	10,920	100%	$166,418	100%	$ 15,240	$ 7,438

*AMI is the Metropolitan Area's Median Family Income.
**Includes foregone taxes and direct expenditures. Excludes revenues that offset these costs.

Over the 10-year projection period, the Act's provisions will create more than 8,700 one-year construction jobs, an average of 871 construction jobs per year. Economic multipliers estimated by the U.S. Bureau of Economic Analysis indicate that those construction jobs will support an additional 208 spin-off jobs in other businesses throughout the District economy annually.

Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

Title	Description	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
					(In Thousands of Inflated Dollars)							
I	Due Process Demolition	$ -	$ (5)	$ 50	$ 109	$ 137	$ 131	$ 97	$ 87	$ 72	$ 76	$ 754
II	Low-Income Hsg Preservation	130	97	16	(95)	(210)	(326)	(440)	(484)	(530)	(574)	(2,415)
III	Historic Housing Tax Credit	-	(1,113)	(956)	(789)	(580)	756	814	877	903	929	841
IV	Low-Income Homeowner Prot.	-	(470)	(810)	(1,174)	(1,145)	(1,098)	(1,044)	(719)	(992)	(1,666)	(9,118)
V	Housing Production Trust Fund	-	(16,532)	(15,029)	(13,736)	(12,870)	(12,049)	(11,223)	(10,369)	(9,487)	(8,583)	(109,875)
VI	New Residential Tax Abatement	10,708	12,759	13,409	19,634	20,081	20,638	21,468	22,321	23,204	24,108	188,330
VII	Enterprise Zone Homebuyers	1,981	3,754	4,837	5,375	5,937	4,237	2,767	2,505	3,292	4,484	39,169
VIII	Mods. to Homestead Program	38	44	69	112	158	204	255	310	367	430	1,987
IX	Employer-Assisted Purchase	-	200	494	889	1,393	2,018	2,526	3,062	3,628	4,224	18,434
X	Homeownership Counseling	-	-	-	-	-	-	-	-	-	-	-
Total General Fund Revenue/(Cost)		**$ 12,857**	**$ (1,266)**	**$ 2,080**	**$ 10,325**	**$ 12,901**	**$ 14,512**	**$ 15,221**	**$ 17,591**	**$ 20,457**	**$ 23,429**	**$128,107**

Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households	
Low (10%-50% New)	**$45,278**
Medium (20%-65% New)	**$95,528**
High (30%-80% New)	**$144,984**

Total Net Impact to the Proposed Budget, Assuming a Medium Level of Households New to the District

	Fiscal Year										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
	(In Thousands of Inflated Dollars)										
Foregone Revenues	$ -	$(19,572)	$(19,714)	$(22,470)	$(26,220)	$(26,113)	$(26,571)	$(27,088)	$(27,134)	$(26,997)	$ (221,878)
Expenditures	$ (35)	$ (81)	$ (82)	$ (104)	$ (117)	$ (85)	$ (86)	$ (87)	$ (87)	$ (88)	$ (852)
New Revenues											
Real Property Taxes	$ -	$ 243	$ 296	$ 1,351	$ 2,587	$ 3,215	$ 3,622	$ 4,226	$ 4,993	$ 5,955	$ 26,488
Income Taxes	2,387	3,865	13,089	23,548	27,754	29,762	32,326	34,108	35,952	37,767	240,558
Sales Taxes	926	1,117	1,587	2,339	2,714	2,622	2,869	3,051	3,235	3,425	23,885
Utility Taxes	49	71	357	722	852	914	978	1,050	1,125	1,202	7,320
Building Permit Fees	6,205	7,258	3,278	2,172	2,209	778	784	786	791	795	25,053
Transfer Taxes	-	950	1,082	1,222	1,438	1,600	567	691	711	605	8,866
Recordation Taxes	3,325	4,883	2,187	1,545	1,685	1,819	732	854	872	765	18,667
Total New Revenues	$ 12,892	$ 18,387	$ 21,876	$ 32,899	$ 39,239	$ 40,710	$ 41,878	$ 44,766	$ 47,679	$ 50,514	$ 350,837
Total Net Revenue/(Cost)	$ 12,857	$ (1,266)	$ 2,080	$ 10,325	$ 12,901	$ 14,512	$ 15,221	$ 17,591	$ 20,457	$ 23,429	$ 128,107
Net Present Value of Net Revenue/(Cost) in 2002 by Percent of New Households											
Low	**$45,278**										
Medium	**$95,528**										
High	**$144,984**										
New Households											
Low (10%-50%)	178	74	1,045	1,174	432	232	214	132	130	127	3,738
Medium (20%-65%)	231	105	1,432	1,622	644	389	359	199	196	192	5,369
High (30%-80%)	284	138	1,819	2,070	858	544	507	265	261	255	7,001
Units Built/Rehabilitated	374	1,169	3,089	3,476	1,807	1,363	472	465	459	451	13,125
Jobs	1,876	1,970	1,293	1,003	979	333	325	319	310	304	8,712